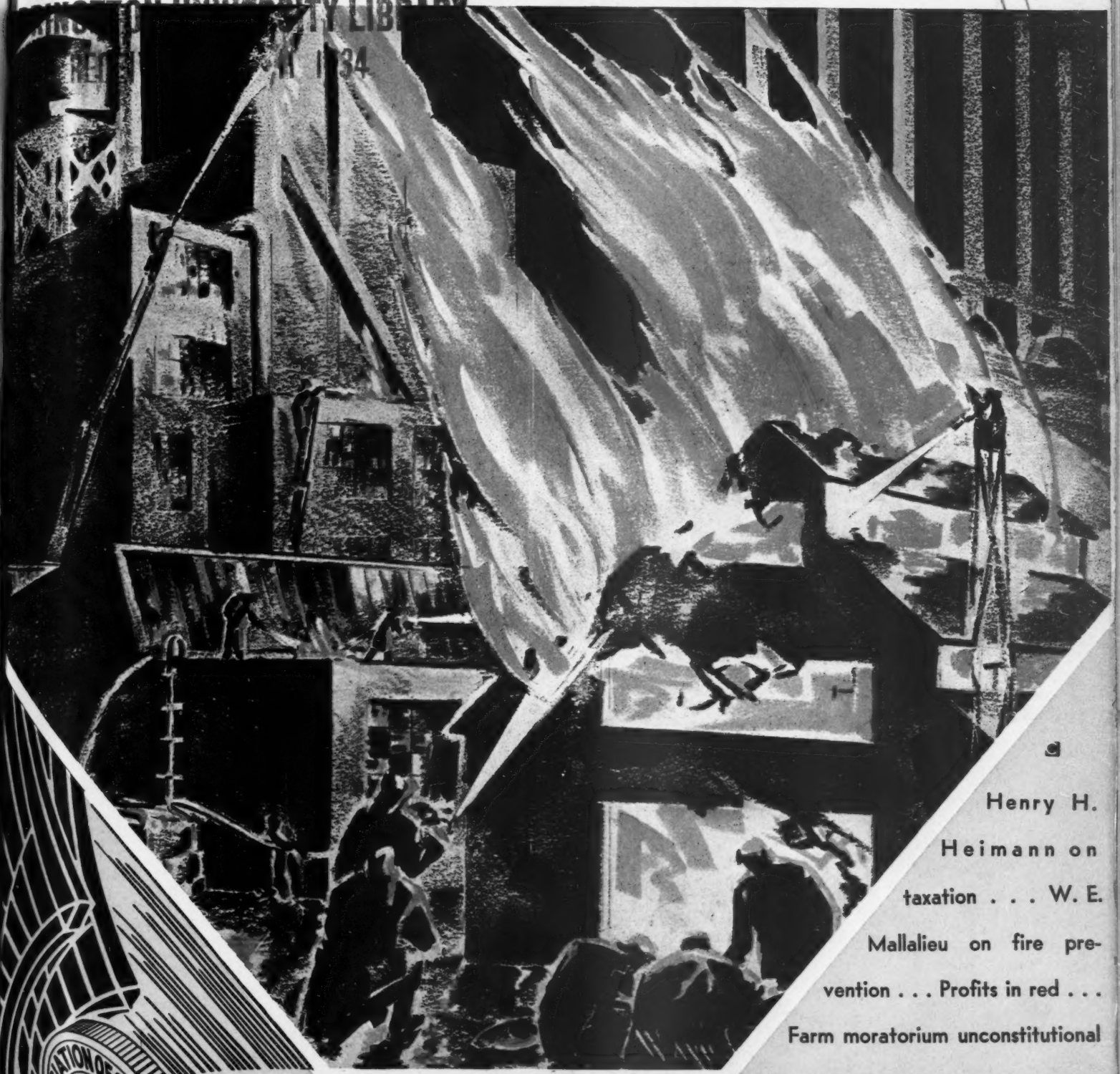


FIRE PREVENTION WEEK

October 7 to 13

PF



Henry H.

Heimann on

taxation . . . W. E.

Mallalieu on fire pre-

vention . . . Profits in red . . .

Farm moratorium unconstitutional

CREDIT

FINANCIAL MANAGEMENT

Established 1898.

Vol. 36, No. 10

OCTOBER, 1934

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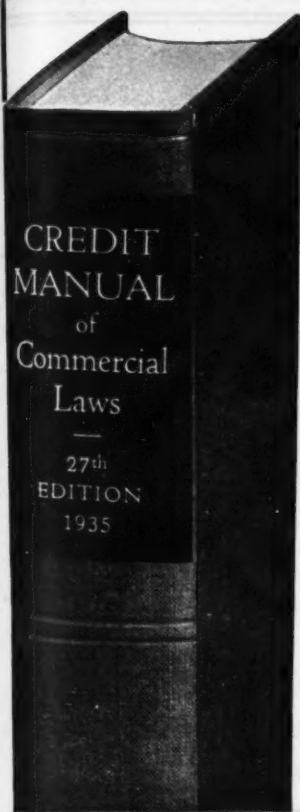
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THE HOME INSURANCE COMPANY NEW YORK

162ND SEMI-ANNUAL STATEMENT

June 30, 1934



ORGANIZED 1853

ASSETS

Cash in Banks and Trust Companies .	\$ 7,550,815.75
United States Government, State, County and Municipal Bonds . . .	17,097,889.20*
Other Bonds and Stocks	57,756,744.20*
Premiums in course of Collection . .	10,139,795.73
Accrued Interest	478,624.00
Other Admitted Assets	1,047,348.00
	<u>\$94,071,216.88</u>

LIABILITIES

Capital	\$12,000,000.00†
Reserve for Unearned Premiums . . .	34,081,828.00
Reserve for Losses	4,809,513.00
Reserve for Unpaid Reinsurance . . .	909,873.94
Reserve for Taxes and Accounts . .	650,000.00
Contingency Reserve	4,215,762.00*
NET SURPLUS	<u>37,404,239.94†</u>
	<u>\$94,071,216.88</u>

* Reflecting Actual Market Quotations as of June 30, 1934.

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Looking ahead

With our November issue, we will present an exceptionally diversified group of articles. And to "back-up" this declaration, here are some lines about what-will-be-what.

First of all, let us name the article on "Nationalism and Internationalism in World Trade" by Hon. C. T. Murchison, newly-appointed Director of the Bureau of Foreign and Domestic Commerce. The subject and the author speak for themselves.

But other pieces include "Price-fixing possibilities and practicalities," "Credit in Great Britain," "Showmanship as a business builder," "Budgets and their importance in credit work," "Commercial crooks and how they're caught," and an article on credit systems in the hardware industry.

Our cover

This month's cover is the third in the new series by Wayn Smith and features the Fire Prevention Week drive which is being supported, as is its annual custom, by Credit and Financial Management.

CREDIT

and FINANCIAL MANAGEMENT

PUBLISHED BY THE NATIONAL ASSOCIATION OF CREDIT MEN

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Uncle Sam or Uncle Santa?

CEN The way to keep a clock running is to wind the main-spring. Tapping the pendulum every few minutes is not the best way. But when we scan developments on the economic front in these days, we see that the Government, in much of its program of providing credit for industries, is following a "tap-the-pendulum" policy. Our aim in determining a policy should be: How can we wind the main-spring of business?

It is essential that normal business financing agencies be given an opportunity to enter once again the field for which they have been developed. To do this, there must be a return of confidence, a recognition of what sound credit really is, and a knowledge that reasonable profits are essential to the conduct and development of business.

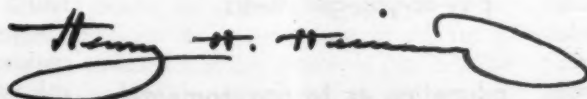
Getting funds through normal channels back into business is no easy problem. Legislation in past sessions of Congress has tended to cause a lack of confidence which helps to freeze further the stream of capital funds. But the original freezing of capital funds was not caused by legislation. It was caused by a lack of inducement for them to flow into industrial channels. When industry shows little or no earnings, it is hard to interest capital to flow in that direction.

And today, although earnings are substantial in certain instances, profits are still generally uncertain and very unevenly distributed. What inducement, therefore, is there for capital to seek employment when a satisfactory return upon the investment is doubtful.

But recognizing this unfortunate state of affairs, we must emphasize the fact that many of the so-called credit attempts in Washington are, in fact, efforts to provide capital funds and not credit funds. We should seek to better educate all of our people on the true meaning of credit. Credit arises out of commercial transactions and cannot be drawn from the thin air, as some of our legislators and dispensers of economic panaceas believe. Even the credit of the Government of the United States is not inexhaustible.

The time has come when our Government cannot continue loaning funds indefinitely. Such helpfulness as has been provided by the recovery program was necessary. Sectional interests, however, must be stopped in their drives for more and more Governmental help. Unusual expenditures, occasioned by humanitarian motives, cannot be put aside. But other forms of helpfulness should be restricted.

Uncle Sam cannot play Uncle Santa indefinitely.



Executive Manager, National Association of Credit Men

Who's to pay the piper?

Will the printing press settle
Uncle Sam's mounting bills?

by HENRY H. HEIMANN, Executive Manager, N. A. C. M.

Somehow, sometime, someone will have to pay for the tremendous expenditures we are now making. There are just two ways of meeting these astronomical deficits. We can obliterate them through wild inflation. Heaven forbid such a course. The present suffering and privation should more than convince us that such a policy would be more than a national catastrophe—it would be plain suicide. The second method of meeting our unusual outlays is through taxation today to meet today's expenses.

Business men may rail and complain about taxation charges that are now being levied. They may assert that these charges are acting as a brake upon business recovery. They may point to the growing army of Federal and State payrolls, conclude that approximately one out of five is now directly or indirectly living upon the taxpayers, but there is one inescapable fact they can not dodge.

So long as they continue deferring consideration of the over-shadowing tax issue, the task of solving it will grow in difficulty.

Business men as well as all of our citizens are partially correct when they say the present cost of Government is impeding the normal forces of recovery. The corollary of this obstruction, and it is of even greater importance, is the fact that failure to recognize and need of coming to grips with the taxation problem has developed a state of uncertainty that is as effective as an emergency brake in its retardation of business.

No man, no firm, no nation can continuously spend more than it receives without effectively destroying prosperity and any hope of its early return. Such outlays are possible for a day, a week, or a year. They cannot go on forever.

Let us face facts. We may as well make up our minds that we must pay—and pay dearly—for the effects of this depression. We agree that relief work is necessary, that in a nation as wealthy as ours, starvation should be unthinkable, but let us also have in mind the necessity of dealing honestly with those

who will follow us. Let us not bequeath a mountain of debt for their life's labor.

Since taxation is necessary in all forms of government, and since we in this nation must strike for a balanced budget at the earliest opportunity, it is essential that we consider the various taxation measures so that we can properly advise and counsel with Congress. Otherwise, through our disinterestedness, we will accept reluctantly any form of taxation which Congress may impose upon us.

If there is such a thing as scientific spreading of taxes so that each one will bear his or her ratable share, so that industry and labor through tax payments will be made conscious of the responsibilities of Government, then let us be prepared to advocate such measures rather than to stumble on in the hope that somehow, sometime, someone other than ourselves or our present generation will pay the bill.

In times past, the parade that has steadily marched to Washington when taxation measures were considered has been ludicrous. Instead of aggressively

fighting for a scientific tax measure, those interested in taxation problems have been composed purely of an army of defense.

Committees go to Washington, for instance, to see that the automobile industry is not unduly taxed or to see that the grange associations and the farmers are relieved of their burdens of taxation. Luxury manufacturers object to taxation that it may be intended to levy upon their products. Liquor interests are there en bloc, protesting against additional liquor taxes. Oil companies decry additional gasoline taxes. Retail merchants object to the sales tax.

It is natural that men should protest against taxes which they feel, often with justice, will discriminate against their industry. The ridiculousness of the situation is found in the fact that in most of the committee hearings, not a single group will be there with the sole and primary object of indicating in which way the Government may reduce its appropriations to a reasonable and conservative basis. Yet such a program would largely relieve the unusual tax burdens and were there a unanimity of opinion on the constructive side of taxation, namely, the elimination of wasteful appropriations, various industrial groups would have little cause to complain of the taxes that affect their industries.

Volumes have been written upon various types of taxation. If you have been a moderately diligent reader you have read much espousing either the income tax or the general sales tax. Yet the sole answer to heavy taxes is not to be found in a study of the taxation laws. The primary answer lies in the administration of your Government at a reasonable cost.

How many committees have gone to Washington with a model government budget and forgotten about taxation but sought with all of their influence to keep appropriations within the reasonable budget they have developed?

It is equally true that those who com-

Who ever heard of a delegation protesting against a big appropriation?

Nothing would be more conducive to a restoration of business confidence than for this Government to adopt a "pay-as-you-go" basis.

Education as to governmental expenditures is a development of years, which is no excuse for failure to launch the campaign at this time.

plain loudest against high taxes seldom give a moment's thought to the expenditures of our Government. How many people who are reading this article have ever written to their Senator or Representative, protesting against an appropriation which seemed extravagant or unnecessary?

Business has complained bitterly about the Government's method of taxation, but what has it done on the constructive side to alter the conditions? Has your business suggested an easy-spending Congressional Representatives' defeat? This method of dealing with taxation problems has too seldom been followed.

Not infrequently business men have actually gone to Washington, begging for the erection of a Government building in their city, or a public works project, costing five times the amount which private capital would deem necessary to spend upon a building for the purpose. The community has then gloried in the new addition, feeling secure that someone else has paid the bill, little realizing that the community itself has been paying for this type of construction all of these years in its own city and in others.

It might be a radical move to suggest that all taxes be paid daily but if each citizen or business institution had to march down to the bank every day and pay a daily tax bill, I don't believe you would find the indifference to expenditures and Government appropriations that exists today.

Certainly, with the greatest expenditures any nation has ever undertaken the protests up to this time have been very mild. The very expenditures that have been allowed to go seriously unchallenged will militate more against business recovery than any other single factor.

The Government's business is everybody's business and, of course, everybody's business is usually nobody's business.

Having thus expressed the fundamentals underlying tax problems, let us give consideration to the situation that confronts us today—one which admittedly cannot be corrected in a short space of time. Education as to Governmental appropriations is a development of years, which is no excuse for failing to launch the campaign at this time. However, our present problem is to meet our expenditures and balance our budget.

Nothing would be more conducive to the restoration of business confidence than for this Government to adopt a



Some citizens are looking to Uncle Sam's Bureau of Printing and Engraving as a source of cash with which to pay the expenditures of our government.

"pay-as-you-go" basis. Our expenditures and appropriations today, in credit parlance, should be C.O.D. How, then, are we going to effect this in fairness to all?

Taxes meet you at the cradle and leave you at the grave. The first tax known to man was the poll or per capita tax. This is still in existence in some of our States. The injustice of that, however, was very apparent.

Next we developed a tax on tangible property. A tax on tangible property is not a satisfactory tax, for the mere possession of real estate is by no means an indication of income, and income is needed to meet tax bills.

The tax on tangible property was soon succeeded by a consumption tax or a sales tax. The great value of a sales tax is that it forces every citizen to become tax conscious. This tax consciousness in turn develops an appreciation of the real seriousness of Government appropriations.

Following the sales tax we had the income tax. The basic principle of the income tax is the fairest of all, for it assesses taxation where it can best be paid. The difficulty of the income tax is that, while theoretically the most equitable of all forms of taxation, in depression periods its yield is nominal. When people are without income, Government finds itself without revenue.

A strictly emergency tax is an excess profit tax. This is perfectly proper in


times of war, and, in my opinion, in times of economic war. There are many objections to the excess profit tax but, generally speaking, in an emergency situation, and as a complement to other forms of taxation, it serves a useful purpose. In the matter of administration, the excess profit tax brings forth many complications.

How can we best meet our bills? The answer seems simple. Brushing aside the revenues derived from what might be called ancillary taxation measures, such as specialized forms of taxation, the broad base of our taxation program should be a sales tax supplemented by an income and excess profit tax. A sales tax alone is unfair, inasmuch as it taxes consumers disproportionately to their income, but when coupled with an income and excess profit tax, this injustice is largely corrected.

The reason it is unfair, *if it is the only tax in effect*, is because if we rely solely upon a sales tax, we place the entire burden directly on the consumer. Any tax that will raise the cost to the consumer raises the cost of living, consequently reduces the purchasing power of the consumer, slows down production and adds to unemployment. The consumer eventually pays all bills, it is true, but he does it through a more painless system of distribution than a direct charge against him.

There are other objections to the sales tax. There is (Continued on page 40)

Constructive credit

 The National Convention slogan for 1934, "Constructive Credit for Real Recovery," is a most appropriate thought at this time when business is recovering and the demand and need for credit is increasing. The granting of time in which to pay for goods after they are shipped and delivered is of no benefit to either buyer or seller if the amount of credit involved is outside the range that can be considered reasonable for the debtor after taking into consideration the many factors that enter into credit granting. The difficulty is to feel satisfied that the figure arrived at as reasonable is fair to both buyer and seller, and therefore constructive credit.

To be able to judge the amount of credit that is within the bounds of reasonableness from the standpoint of sales, collection, and also the buyer, requires a great deal more than superficial knowledge. It is not enough to look at the record of purchases and payments, scan a financial statement showing the net book worth and certain ratio figures, check the rating of some commercial reporting agency and possibly read the report issued by that agency.

Incomplete investigation and analysis for the granting of credit does not do full justice to both buyer and seller. The growth and expansion of the ordinary business requires reasonable credit to its customers, and it therefore follows that it is vitally important that neither customer nor prospective customer be refused credit or restricted in his purchases until a thorough and complete investigation warrants such action.

The expert credit man seeks information from various dependable sources in his efforts to take care of orders submitted, and is not satisfied to say "no" nor to suggest reducing the order until he has fully satisfied himself as to the amount of credit that is reasonable based on the customer's financial condition, payment habits, and moral responsibility.

In addition to sources of information mentioned, there is the exchange of information with other creditors—usually through the medium of an Interchange Bureau; full information from the salesman or sales executive (particularly to get reasons for a sudden increase in re-

by RUSSELL DEUPREE,
General Credit Dept.,
Proctor & Gamble Co.,
Cincinnati, Ohio.

quirements or for what looks like an excessive first order); possibly, personal contact with the debtor for first-hand information not available from other sources or for an explanation of figures or data that may be vague or doubtful; personal character reports on the principals of a business; and information from sundry other sources.

STRIKES

have been of major concern in recent months to everyone connected with business. Accordingly, a recent publication of the Bureau of Labor Statistics of the Department of Labor entitled "Labor Through The Century—1833-1933" will be of real interest to those of our readers who have been following recent developments. The booklet is for sale by the Superintendent of Documents at Washington D. C., and costs 10c. It is a nicely illustrated publication of 41 pages, based on an illustrated account prepared by the Bureau of Labor Statistics of the Department of Labor for the Century of Progress exhibition in Chicago. It carries the story of American labor from the earliest Colonial days to the present in concise fashion. The developments of labor problems, the growth of labor unions, the relief of labor inequalities and similar topics are discussed.

In short, a credit man should feel that he has gone as far as he can to find the constructive and reasonable amount of credit to which the customer is entitled.

His objective, of course, is to obtain information to justify the amount of credit needed. If he finds reasons for not granting a credit line of the proportions requested, those reasons should come out of his constructive efforts to accommodate the customer and get the business.

It should be understood that I am

referring to accounts that buy in amounts above the small class. Investigation beyond a certain point is unprofitable in most types of business on customers buying in small quantities, but it is essential to have good information from the salesman when opening even the smallest account, and further information from him when orders are increased materially or the account becomes slow, if the salesman is in close touch with the customer.

The matter of credit to small accounts quite naturally depends largely upon the policy of the house, which in turn depends upon the margin of profit on the goods sold, demand for the product, need for wide distribution, and perhaps numerous other conditions. Generally speaking, a business with a big profit margin can take more chance in reaching out for business and exercise more liberality in granting credit than one selling on a small profit margin.

Constructive credit granting is the only kind that justifies the title "Credit Manager." We should never be satisfied with anything less than constructive credit, nor with results unless they show increased sales. Even if the management decides a greater credit loss can be taken for expansion of the business, it can be done in a constructive manner. There still remains the line dividing a risk between reasonable and unreasonable, as a sales policy is seldom likely to demand taking unusually dangerous credit risks in accounts above the small class.

Just as a Credit Man must determine by a thorough investigation how much credit can be extended, he must also have good reasons for maintaining a credit line which may seem safe based merely on his own experience and on the rating of some reporting concern. I have seen substantial credit lines established and continued too long on very meager information, and we all know that some of the hardest insolvency jolts come very unexpectedly from accounts thought to be good.

Very probably, a periodical check-up of the payment habit with others, close knowledge of the financial condition and trend, sales department opinion and observations, etc., would have given the Credit Department a "straw" indicating the way the wind was blowing on some of the sudden failures (Cont. on page 39)

By the President of the United States of America

A PROCLAMATION

Disastrous fires destroy each year property of many kinds to a total greater than the whole value of all property in the Nation in the days of our forefathers. This loss seriously offsets our normal gain in national assets.

It is the simple obligation of every citizen to realize, knowing this, that a large proportion of these fires can be prevented by the exercise of proper care and by the use of appropriate fire-prevention measures.

I call special attention to the un-

fortunate fact that a very large percentage of fires in every part of the Nation is caused by acts of individual carelessness and that millions of dollars' worth of property could be preserved each year by the realization on the part of the individual of his or her responsibility to the community.

NOW, THEREFORE, I, FRANKLIN D. ROOSEVELT, President of the United States of America, do hereby proclaim and designate the week beginning October 7, 1934, as Fire Prevention Week, and I particularly urge State and municipal officials, civic and commercial organizations, school authorities, the clergy, and the press to emphasize the danger of and needless waste caused by fire and to encourage

the study of ways and means whereby fire hazards and the disastrous consequences of fire may be prevented as far as possible.

IN WITNESS WHEREOF, I have hereunto set my hand and caused the seal of the United States to be affixed.

DONE at the City of Washington this tenth day of September, in the year of our Lord nineteen hundred and thirty-four, and of the Independence of the United States of America the one hundred and fifty-ninth.

FRANKLIN D. ROOSEVELT

By the President:

WILLIAM PHILLIPS

Acting Secretary of State.

Because of its strong interest in Fire Prevention Week,

Credit and Financial Management

dedicates this issue to that cause in the same spirit that caused the passage of the resolution below by the delegates to the 39th Annual Convention of the National Association of Credit Men in Los Angeles in June, 1934.

WHEREAS, Destructive fire waste annually in the United States takes a toll of 10,000 human lives, and hundreds of millions of dollars worth of natural and created wealth, saddling upon American business and industry an almost endless chain of indirect losses, including the interruption of production schedules, depletion of buying power, reduction in credit rating, forfeiture of good will, expense of extinguishment, removal of destroyed property from tax records, and continuance of fixed expenses during reconstruction; and

WHEREAS, The Chamber of Commerce of the United States through its National Fire Waste Council (of which the National Association of Credit Men is a member), in conducting its annual

Inter-Chamber Fire Waste Contest between hundreds of affiliated local Chambers of Commerce, has definitely operated to reduce substantially the fire waste in most of these local communities; and

WHEREAS, Several hundred eligible local Chambers of Commerce have not yet cooperated in this important movement,

BE IT RESOLVED that the National Association of Credit Men in convention assembled urges every local Chamber of Commerce which is affiliated with the Chamber of Commerce of the United States, to enter and participate in this Contest to the end that needless loss of human life and property by fire may be further substantially reduced.

Stop the fire before

Efficient fire protection is ideal fire prevention. Here is an article that outlines just what can be done about fire prevention in a practical way and on an around-the-year basis.

by W. E. MALLALIEU, General Manager, National Board of Fire Underwriters

EN The President of the United States issues an edict each year proclaiming Fire Prevention Week in the month of October, calling upon all citizens to give their wholehearted assistance in an effort to reduce fire waste. Governors of the various states, mayors of many cities, chambers of commerce and other organizations all cooperate to help in making their communities safe places in which to live and work. Insurance commissioners, fire marshals and fire chiefs are willing to aid each citizen in protecting his property against fire.

But it is "each citizen" himself who is responsible for the protection of his own property and it is up to him to call upon the fire prevention authorities for the aid they are there to offer.

The term *fire prevention* is a familiar one; so is the phrase *fire protection*. A

combination of the two forms an ideal slogan for American business men and home owners when arranged to read "*Efficient fire protection is ideal fire prevention: Stop the fire before it starts.*"

The majority of fires occur in homes but records prove that the largest fires usually originate in business establishments and business men, knowing this, appreciate that fire is one of their worst enemies. Few companies are able to reestablish themselves unimpaired after their plant has been destroyed. Furthermore, many industrial buildings which burn never are replaced and when a factory burns, pay envelopes cease, profits disappear and both employees and owners suffer loss.

Accordingly, they have a common interest in uniting to prevent fires and there is no better time than Fire Prevention Week to study hazards and

practice preventive and control methods in each particular case.

The responsibility for initiating such a program rests with the management, which should begin by calling a mass meeting of employees. Add interest to this gathering by inviting a fireman from the local department—one who has been through the plant and is familiar with its particular hazards. He should address the group, dwelling on fire hazards in general and the special hazards found in this particular plant.

At this meeting a joint committee of employees and executives should be appointed to supervise fire prevention activities. If possible, have the fireman meet with the committee and help in formulating a set of fire prevention rules for the guidance of the employees. The scope of these rules should be as complete as possible, covering not only the general principles of fire prevention but also special hazards found in the various departments.

When the rules and their application have been definitely decided upon, call a second meeting of the employees to explain the set-up and to permit the discussion of questions. It would be well to supplement this with the placing of signs throughout the plant to keep the rules continually before the attention of the body of employees. It will be helpful to put up such posters as are distributed by the National Board of Fire Underwriters and other organizations for Fire Prevention Week, as publicity is an aid in preventing fires.

One of the most helpful activities in the interest of safety is the installation of a regular system of inspection for the plant. For this purpose the National Board of Fire Underwriters furnishes blanks suitable for the use of competent employees. Upon these blanks should be recorded all conditions per-

The United States cannot afford such sights year after year.



—not after—it starts

taining to fire hazards found in any part of the premises. If the plant has been closed down or even if production has been curtailed there may be departments or machines which need going over and conditioning before they can be used safely. Neglect of this may cause fire when an increase in business necessitates putting the equipment back into service without proper preparation.

The fire prevention committee should carefully go over the self-inspection blanks and recommend to the management that all dangerous conditions be corrected. These blanks should then be kept on file. After this first inspection during Fire Prevention Week, it should be repeated at regular and frequent intervals, and for the purpose of careful checking, later inspections should be made by different employees.

Many incipient fires may be extinguished before much damage is done if the proper equipment is provided for control. Most commercial buildings of any size should be equipped with automatic sprinklers. Another feature is the automatic alarm. It has been recorded in many instances that automatic alarms flashed word of the fire to the local fire department before anyone in the plant knew that flames had broken out. The

quick arrival of fire-fighting equipment after such an alarm is vital in cutting down losses. It is also important that an alert watchman be provided for duty after hours. The correct type of extinguisher should be supplied in adequate numbers for each department of the plant and employees instructed in their use.

Some plant managers go farther than this and furnish additional fire-fighting equipment in the form of large chemical tanks on wheels and conveniently placed hose lines connected with a good supply of water under strong pressure. This is of little use, however, unless employees are detailed as the company's fire fighters and trained to handle all of the equipment with full efficiency.

The size of an industry determines the extent of the fire prevention effort in which it should engage, but every factory or business will find such fire prevention activities very much worthwhile.

When considering fire-safety, one of the most important factors is the construction of the building. Fire prevention engineers state that an industrial

building should be subdivided by strong fire partitions in order that there may be no large open areas through which a fire, once started, can sweep unretarded. Such large open areas permit fire to spread so quickly that it is often beyond control when firemen reach the scene. It goes without saying that hazardous processes incident to the manufacture of the products of a concern should be cut off from the remainder of the building by strong fire walls, or still better, housed in a separate structure. This goes for the heating plant, too, as numerous fires originate there. Other things to look for are unprotected vertical openings such as open elevator shafts, stair wells and chutes through which fire may be communicated from one floor to another. A minimum of burnable materials should be used in the construction of factories.

The foregoing paragraphs may be said to deal particularly with what is generally known as good "housekeeping." The building itself, however, should be put in shape (if it was not constructed "fire-safe" in the first place) so that if fire does occur it (*Continued on page 34*)

Each citizen, himself, is responsible for the protection of his own property. Such responsibility, diligently observed, cannot fail to produce results.



Profits in red

■ We reduce our fire losses only by spending the savings for bigger fire departments.

ON One Sunday morning I chased the fire engines to the scene of an outbreak in the basement of a retail store. When I arrived, the streets were choked with six or seven pieces of apparatus and some forty officers and men.

Beyond this display of equipment, with sound effects, the spectacle was very tame. The blaze was extinguished in five minutes with an estimated damage of about twenty dollars, and even before a good-sized crowd could gather to make wisecracks about the size of the turnout for such a fire, some of the companies started back to quarters.

About \$40,000 worth of apparatus rolled to this \$20 fire at an operating cost of around \$700. And I was glad that I had seen it, for it gave me one of the most graphic lessons in this queer field of fire fighting economics that I ever hope to witness.

You may question the economy of spending \$700 to put out a \$20 blaze. And since many citizens do, even without a realization of the actual figures, let us look at the complete picture and see just what a bargain it really is.

The store in question was on the corner, the first of an unbroken row of nine frame buildings, three stories high. Next came a row of four two-story frame structures which ran up against a line of elderly tenements extending some 300 feet to the corner. The first three of these old brick tenements had been converted into a single unit occupied by a large dry cleaning establishment on all five floors; a beautiful stimulus for a conflagration!

Conservatively, there were \$350,000 worth of "quick burners" nicely laid out for a sweeping fire—an outbreak was under way in the cellar of the end building—the wind was exactly right and rather brisk—and several million dollars' worth of combustible property lay within easy reach of flying brands.

A bit of bad luck and there would have been another story. If the passer-by who discovered the outbreak had

by PAUL W. KEARNEY

been looking the other way when he passed, he wouldn't have seen the trickle of smoke. And possibly when the next Sunday pedestrian happened along, the whole building would have been involved and the climax might have been "Conflagration" instead of "Trifling Damage." Consequently, in any congested community there is no choice but to roll the \$40,000 worth of equipment for only the Lord knows how long that fire has been going and how big it is when the alarm box is pulled.

Smaller communities often economize by sending a skeleton force on the first alarm. In 60 per cent of the cases they can handle the job: in the remaining situations they call more help. It looks efficient. But the flaw is that one bad break can kick into the ash pile all the money previously saved by this expedient. And we get those breaks!

Out west, for instance, a hose company and a chemical truck answered an alarm from the outskirts of a city. They thought they could hold the fire and went to work. But the wind velocity suddenly spurted, the blaze got away, and in an hour they not only had all of their own department working but were calling help from cities ten miles away. By sundown 600 buildings had been levelled, 300 others damaged, 4,000 people rendered homeless and \$10,000,000 worth of property reduced to cinders.

Such possibilities aren't local. Chelsea, Baltimore, Atlanta, Salem, Nashua, Bangor, Kansas City, Shreveport, Auburn and dozens of other cities have proven that the threat is neither theoretical nor occasional. Look at Pittsburgh with an insignificant outbreak in the basement of a dime store that damaged \$2,000,000 worth of adjoining property before it was checked—or Astoria, Oregon, with one in the cellar of a pool parlor that levelled 24 blocks in the business heart of the city—or

Augusta with a mercantile blaze that got away through tardy discovery and faulty construction, destroying 682 buildings over an area of 30 blocks. During the past thirty years we've had forty-three such fires—all \$20 blazes at the start—that have cost an average of \$3,500,000 apiece. They constitute 43 excellent reasons why the \$700 turnout is cheap—and sometimes not large enough!

Such records may throw some light on a subject that has received much publicity but little understanding: the American fire waste. We all hear time and again that our national loss amounts to nearly a half-billion a year—what we forget is that this figure represents only one-half to one-third of the annual outlay necessary to keep the loss as low as a half a billion.

Take a city like New York, for example, where figures mean something in the aggregate but are neither maximum or minimum. Eliminating abnormal boom or depression periods, we see that twenty years ago the city had 14,574 fires (2.97 per 100 population) with an annual loss of \$12,470,000: an average of \$855 per fire. The department budget was then \$8,187,000, so we may assume that it cost \$562 to have the average fire extinguished.

Twenty years pass with a great wave of fire prevention, improved fire laws, better construction and a more general consciousness of fire control. The reward is 31,391 fires in a year (4.53 per 1000); a loss of \$18,116,000; and a department budget of \$23,342,000.

Reducing that to simple figures, we simply cut the damages of the average fire by \$179 through the ingenious expedient of spending \$181 more to fight it!

This is certainly robbing Peter to pay Paul, and the taxpayer may well wonder if it is exactly what we call "modern efficiency." The fault isn't with the fire department. With a 30 percent increase in man power it is handling 115 percent more fires and confining a larger portion to the point of origin. Fires are extinguished with fewer extra

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alarms; with half the amount of water used twenty years ago; with only 8 percent exceeding \$1000 damages as against 32 percent two decades back, even though a much smaller blaze can do that much damage now.

If the fire department is all right, then what is the solution? Certainly we can't tear down square miles of combustible buildings and replace them with modern structures.

No—but we can do something equally effective. We can see, first, that the flagrant hazards are remedied. And, second, we can fortify that safeguard by the universal application of fire's most deadly enemy; automatic control. The whole essence of efficient fire fighting is to get 'em young. And our infidelity to that principle spells the difference between the \$20 basement fire I saw and that other basement fire in Baltimore that eventually cost \$50,000,000!

After all, fire fighting is merely applied physics: It takes at least a gallon of water to extinguish a pound of burning fuel. If you don't call the firemen until there's a thousand tons of fuel burning, there isn't much they can do but enjoy the sight because its humanly impossible to put enough water on such a blaze to quench it. The function of automatic control is to preclude that possibility by giving the firemen an early start.

Take a case in point: A few years ago a printing plant in New Jersey had an outbreak that burned for some time before discovery and had involved nearly the whole building by the time the department arrived. The firemen poured 3,000,000 gallons of water into that inferno before they caught up with it—and you don't have to figure out what happened to the contents submerged under that deluge.

Swallowing the losses not covered by insurance, the owners presently rebuilt—this time installing an automatic sprinkler system. Within a year they had another outbreak in the new plant. But this one, no worse than the first at its beginning, was put out by 500 gallons of water from the sprinklers with less than \$100 damages.

Truly, the whole outcome rests on the margin of time elapsing before the proper action is taken. And that is why our only decisive assault on the fire waste must be through automatic control. In its particular field, the supervised sprinkler system fills the bill most admirably; where it isn't feasible, the automatic, detection and alarm system does the trick. Years of experience in thousands of buildings of all types, everywhere, show that such protection, when properly supervised and maintained by an outside agency, affords an average fire immunity of 99.96%.

Any elaboration of that ratio would be gilding the lily. Yet the fact remains that many business men don't yet see the point—and many others see but half of it. Recently, for instance, a fire broke out in an Atlanta flour mill. The building was completely sprinklered—but somebody had closed a sprinkler supply valve on the sixth floor and forgot to open it. Being perverse, the fire chose to start on that floor. And being unmolested there, it gathered such headway that it caused a \$450,000 loss.

Scores of similar cases could be cited from the records, but they would add nothing to the obvious fact that the best protection is worthless if it doesn't work in the emergency. Consequently, the second phase of the necessity for automatic control is the companion

need for its proper maintenance. Without the second, the first is nullified.

Automatic systems which include outside, central station supervision are, therefore, clearly indicated as the most effective weapon against destructive fire. There all the requirements are met: the system won't give the outbreak a chance to gather headway unmolested; it summons the fire department at a time when it can do some good; it prevents any undetected breakdown of the protective device by supervision that is not only constant but also *continuous*. When an alarm or a sprinkler is connected to an outside central office, the supervision provided is not only manual or personal but also electrical. Such systems "inspect" themselves by means of their own circuits, and any trouble report is immediately investigated. Similarly, any fire alarm is instantly sent to the fire department. And that feature in itself is invaluable because it eliminates the grave risk of muddling by amateurs at the critical time, bringing promptly to the scene men who are trained in this specialty.

All of which is logical enough. After all, any concern can provide its own private fire brigade if it wants to—yet not more than 5 percent of all the plants in the country do: the rest have that job done by an outside agency. By the same token, any concern can supervise and maintain its own protective systems if it sees fit. Yet the records indicate that those who also entrust that specialty to an agency which specializes in that and in nothing else are never cursed by the forgotten valve, the empty tank or the dead alarm system!

You see the very practical application of that in any big city. When an automatic alarm is (Cont. on page 34)

Safeguarding credit today

■ It is only through constant diligence of all parties, and a spirit of cooperation, that insurance risks and credit values are thoroughly safeguarded.

OF A manufacturer had replaced his obsolescent building and equipment utilizing bank loans for a portion of the cost. He procured an adequate amount of fire insurance for full replacement cost, but there was a warranty in the policies that no automobile gasoline tanks would be filled or emptied within the buildings. This condition was violated by the existence of a filling pump, thereby voiding the insurance. This serious situation had been overlooked by the owner, his insurance brokers and underwriters, also the mortgagors.

What protection was there for the creditor who had loaned the money? The collateral for the note was valuable only to the extent that the property existed and was convertible. The owner was jeopardizing his own credit for loss of the property would have cost him his equity in the premises and there was a grave question if he could obtain another loan to restore his plant because he still owed for the original loan.

The safeguarding of credit is an outstanding management problem much enlarged by present day conditions, and applicable to both the one who extends credit and the debtor who benefits by it. The risks are greater today because of trade developments, wider areas of operation on a large scale, making it more difficult to obtain detailed information and to follow the management course of the debtor. The extension of the credit system enhances the risk and due to the smaller margin of profit, business is less able to absorb losses.

Has management kept pace with

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changing hazards, and does it realize the significance of developments in the insurance field, offering security of property, business, earnings, and credit capacity?

As science and applied invention have developed new methods of carrying on business, various types of risks have been incurred, many of which had never been encountered before. This change has materially affected the value of insurance for competition is too keen to permit a suspension of production or service for any length of time. A few years ago, it would have been reasonably safe to accept fire insurance policies "as is", but today the insured and his creditors must be more thorough in their investigation of the insurance coverage which serves as a secondary collateral. In fact, it is not sufficient to limit protection to fire insurance, for there are many casualties which may cause a loss of the primary collateral.

The average individual or firm is subject to two general types of risks, one having positive limitation features, and the other representing almost complete uncertainty as to scope and effect. The positive group involves practically all tangible and present physical values, such as buildings, personal properties, securities and cash. These values are

subject to positive risks of damage or destruction by the hazard of fire and other forces. It is known that the damage will be limited to the aggregate value of those properties which are exposed to a hazard at a given time.

The second and indefinite type of risk is best represented by the hazard of liability to pay damages. The causes which may give rise to liability are very numerous and fraught with such uncertainty that it is difficult for the owner or operator to determine when he should insure against the hazards and the limit of economical coverage. The process of determining damage done to physical property is relatively simple as compared with evaluating a personal liability claim, and creditors are never sure whether the net worth as shown by financial statements is sufficient to cover all contingencies.

Not all persons or properties are subject to the same hazards, nor in the same degree, a fact which complicates the buyer's problem and makes necessary a more frequent survey of the hazards and insurance coverage.

Insurance does not provide immunity from loss. In fact, the very existence of insurance often creates a shifting of responsibility and unnecessary carelessness. Furthermore, there are indirect losses frequently accompanying casualties, which are not customarily covered by insurance. They include spoilage, such as might be incurred in a warehouse storing perishable goods, when the refrigerating system had been crippled by a casualty; loss of records, diverted trade, and a variety of miscellaneous expenses.

The purpose of insurance is to elimi-

nate the uncertainties of major calamities if the property owner, employer, or individual wishing to make provisions for the future, is not in a position to absorb without financial embarrassment, the losses that may occur. The mortgagee, or any other type of creditor, has a vital interest in the effectiveness of the protection.

Insurance security is needed when the lack of it would mean a net loss or sacrifice of values, resulting from an insurable casualty. While many casualties can be prevented, they are not entirely avoidable, and no one can fully anticipate the time nor place of happening. Insurance offers freedom from fear of serious consequences by accidents, encouraging one to undertake projects not otherwise possible. Insurance is needed as a secondary line of defense, for business could hardly be carried on by individuals or firms without credit, and without insurance, credit would scarcely be available.

If we do not have a sound method of protection, it is necessary to maintain large cash reserves for replacement of property, to cover continuing expenses, and to meet claims. Insurance closely approaches a guarantee of continued values and it is necessary to safeguard all activities so that existing assets of every description may not be permanently lost. If security is deficient, either in the amount of insurance placed, underwriters' resources, or in the form of insurance, the business and credit

position will be endangered.

The proper distribution of insurance protection is a major issue. There is no formula which will show when it is economical or absolutely necessary to insure, either by the nature of the property or by the type of hazards. Each case must be analyzed by itself. There are many governing factors, and security of position is greatest when insurance is fully utilized according to the actual needs.

The safeguarding needs are changing from day to day, and there is a necessity for comprehensive policies which automatically furnish protection within reasonable limitations of amount and against a great variety of insurable hazards to which the business man and his creditors are exposed. Insurance underwriters have been loath to issue broad policies against multiple perils because of inherent carelessness and lack of co-operation in prevention of losses. This does not speak well for the insured public while the buyers in turn complain that they are unable to obtain assistance from insurance companies and their representatives in the development of policy forms which will properly meet the needs of individual cases. It is probable that both groups could attain greater

Pretty sight, indeed, is a fire boat in operation. But what protection was there for creditors involved in the fire?

unity of action to the advantage of both. A closer relationship would doubtless lead to a simplified process and comprehensive contracts which would greatly improve the security of the insurance users and creditors.

Under improved insurance forms, the coverage would not become deficient when there are sudden economic changes. Undoubtedly many insureds have overlooked the effect of the recent inflation, many an insurance program being out-dated by the rise in prices, and the insured finds the money collected under insurance contracts will not go as far in replacing buildings, machinery and commodities. Furthermore, the insured may be further embarrassed if he happens to have a co-insurance clause in his policy. The insuring organization will pay only the same proportion of any loss as the amount of insurance carried bears to the percentage of replacement value which the insured agrees to carry. These calculations are made at the time of loss and not at the beginning of the policy period. One firm recently discovered that inventory values had increased from 10 to 100% depending upon the items involved, and that building costs had advanced sharply. From this experience, it is obvious that insurable values should be rechecked and watched closely.

Insurance is not generally utilized to the fullest extent nor in the most advantageous manner, and there is no time when protection can be safely ignored.



Cost protection under NRA codes

by J. S. SEIDMAN,
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"No manufacturer shall sell products of the industry at less than their cost to the manufacturer, except to meet existing competition of lower cost producers." This is the general prescription of codes with respect to so-called cost protection. On the face of it, it sounds very simple. In practical application, however, innumerable difficulties develop. Industry, with its myriad of items and devious methods of production and distribution, makes the going rather rough.

Both prior to and since the adoption of the codes, many have sincerely contended that any attempt to fix a basis for minimum prices in industry is doomed to failure both from an economic and a practical angle. On the economic side, it is urged that free competition is essential for industry to survive. It is stressed that industry has not reached a point of absolute efficiency, and that free competition is the surest way of furthering ingenuity and developing reduced costs. Further, that any attempt towards artificially holding up prices will defeat its own end, in that it will result in the loss of consumers' patronage.

As to the practical angle, it is pointed out that industry produces a large number of styles and designs, and that determining the cost for each item, both individually and in comparison with the most efficient producer, is extremely difficult if not impossible. But even if these obstacles were somehow overcome, it is contended that the results would be meaningless, because of the fact that where, for example, style is a factor, no two items are identical, and therefore

cost comparisons for competitive purposes are defied.

To all this the proponents of cost protection answer that the emergency situation requires some sort of price "plug," or else complete chaos and demoralization will set in through uncurbed predatory price cutting. The cost protection advocates add that while it is true that by far the largest proportion of the production of industry is of special design, and hence not directly competitive item for item, this does not mean that there is no price competition within classes. Furthermore, it is pointed out that a reduction in the price of one grade affects the others, for the reason that such reductions immediately throw out of gear the differential in prices that should and does exist, on the basis of quality and other general competitive factors.

Whatever the merits or demerits of each side of the question may be, the time for argument is over. Whether we believe cost protection is good or bad, it is now a part of industry's law and must be complied with. Attention should therefore be focused on developing and adopting practical steps to effectuate the beneficial purposes which the authors of codes, and of this provision particularly, hoped to accomplish for industry.

To begin with, if there is to be no selling below cost, the first and obvious requirement is to know what the cost is. Whether one is for or against cost protection, there is unanimity in the ranks about the tremendous advantages attendant upon this phase, directly tied in with cost protection, namely, cost determination. The Code Authority under most codes is given power "to establish uniform cost accounting methods for the industry." If nothing else is accomplished but the adoption and application of uniform accounting principles for industry, codes will have justified themselves, regardless of time, cost, effort, or other considerations.

The accounting records of industry, as they stand today, are by and large in need of considerable development and

improvement to get a cost protection program in precise swing. It is safe to say that many of the operators covered by codes have never maintained an adequate semblance of cost records. In fact, many have not even begun to keep dependable general accounting records, no less cost accounting details. It will therefore be necessary to start from "scratch" and to make the initial requirements under the uniform accounting provision of codes, simple, understandable to the small producer, and inexpensive. Ease and speed in application, to meet the emergency and the realities of the accounting situation, must perforce be the keynote.

Even if dependable records are installed and maintained by industry, they will be of little help if cost means one thing for one factory and a wholly different thing for another. Cost prices built from different cost methods will necessarily yield different results, and may do irreparable injury to manufacturers adversely affected by such results. It is not intended to convey the impression that there is or should be any single detailed accounting system by which cost is to be determined for entire industry, but it is important that the fundamental approach be uniform. This approach, in turn, must be fortified by uniform accounting principles, if everybody is to talk the same language. Again, reference is not made to the minute cost accounting records or processes, but instead, to the broad accounting principles that stand on the threshold of every cost determination. Questions like these must be answered in chorus:

1. What volume is to be figured on in determining the overhead rate? Shall it be actual, normal, or reasonable volume or capacity? This is a basic, if not the foremost question in every cost computation. There can't be truly comparable costs without uniformity in handling this aspect.

2. Should interest on investment be considered a part of cost? (This has been cussed and discussed by accountants for years, and the honors are about even to date.)

3. What shall be done about owners' and officers' salaries? Some concerns provide for them; some do not. Some have "juicy" salaries; some make them very meager. In a partnership, sole proprietorship, or close corporation, such salaries may be a matter of whim or fancy. Whether, for purposes of uniformity, a flat, arbitrary charge can be forced upon manufacturers is doubtful, considering that the code protects actual, not constructed or (Continued on page 42)

Prepare for Pittsburgh!

■ The 40th Annual Convention and the Fifth Credit Congress of Industry are slated for the City of Steel during the week of June 17th, 1935.

At their annual meeting held in Chicago from September 20-22, the National Board of Directors approved the date for the 1935 conclave of the credit men of this country. This confirms the arrangement made between N.A.C.M. Convention Director Brace Bennitt and the Board of Directors of the Credit Association of Western Pennsylvania, the agreement providing that the Fortieth Annual Convention and the Fifth Credit Congress of Industry will be held in Pittsburgh from June 17th through the 21st, 1935.

This is an admirable time of the year in Western Pennsylvania and the date was also fixed with consideration for the regular schedule of credit executives, so that the Convention trip and vacation trip could possibly be combined by many.

Other factors dictating the choice of the week of the 17th were the fact that much credit work has to be done around the 10th of the month under many industrial code provisions. Besides that, in quite a few instances, our members wish to attend college graduations and reunions around the first week in June. The third week in June, therefore, seems to be most desirable from recent experience because it enables our membership to attend at a time most convenient to the greater majority.

Convention Director Bennitt has recently spent considerable time in Pittsburgh making preliminary arrangements with our host in 1935 and arranging for

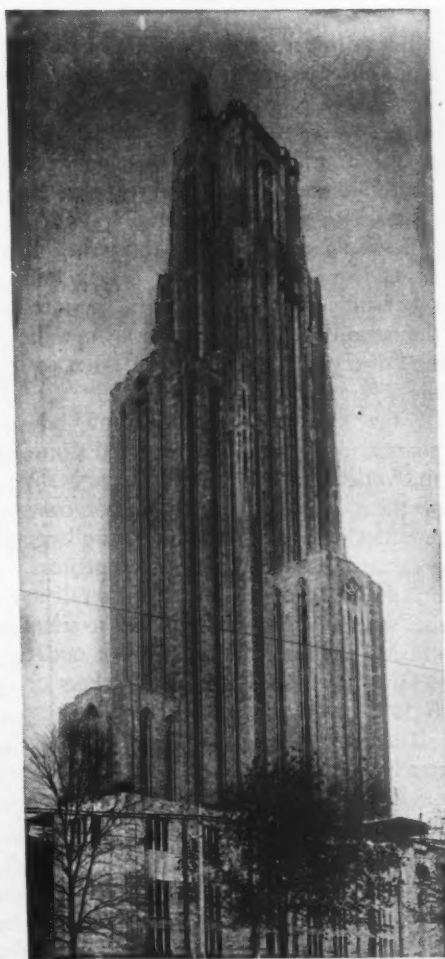
the housing facilities for the Convention. The William Penn Hotel will be Convention headquarters and again the Association and the membership are fortunate in having ample facilities for housing the entire convention, as well as holding all business sessions, in the same hotel.

Many delegates will recall that the William Penn Hotel was Convention headquarters when Pittsburgh held the previous Convention of the National Association of Credit Men in 1916. Since that day, however, many changes have been made, the hotel being now many times larger and greatly developed. It will be an ideal headquarters for our annual meeting.

One of the best guarantees for a successful Convention is the unanimous selection of National Director L. W. Lyons as the General Convention Chairman. Mr. Lyons is well known to credit men who have attended the Conventions of the Association. He is General Credit Manager of the Westinghouse Electric and Manufacturing Company of East Pittsburgh, Pennsylvania.

Well qualified in every respect, and with President Swearingen and Executive Manager Oliver as his right-hand men, his leadership will insure the effective organization and functioning of the Convention Committees. Marked enthusiasm for the job ahead is already evident in Western Pennsylvania. All signs point to a great Convention.

Mark the week of June 17th, 1935, on your calendar. They are dates for which you have an important engagement. Prepare for Pittsburgh!



Pittsburgh scenes: the river (l.), the mountains (r.), and the "Skyscraper College" (above).



The future of wholesaling

"Like most other kinds of American business, the wholesaler has had to change . . . the wholesaler of general merchandise is a permanent and important part of our American scheme of distribution."

C Retailers who distribute the type of merchandise commonly spoken of as general merchandise consisting of pots and pans, notions and novelties, suits and coats, shoes and clothing, can be divided into two classes;

1. Retailers who operate large department stores, mail order houses, chain variety, and chain dry goods stores—who for the most part purchase their goods from the makers and do their own importing of foreign goods.
2. Retailers who do not have the facilities or outlet to buy their goods from the makers or direct from foreign lands and who should, for their own good, utilize good wholesale distributors.

A vast portion, approximately half, of our population lives nearest villages or towns where stores of the first group cannot operate profitably; not to mention the millions who patronize individually owned small neighborhood stores in cities. Stores of the first group are not spreading very fast any more for the reasons we all know about, nor in my opinion are they likely to open units in the spots where independent retailers thrive best. In other words, the expansion of large retailers has about reached saturation. Growth in the future will be gradual and because of development of localities.

Since I write about the relationship between the wholesaler and the independent retailer, I can dismiss the first group by merely saying that the wholesaler's sales to members of this group, while a formidable amount, is nevertheless an unimportant part of his total business. I happen to know that the largest wholesaler of general merchandise values as its customers practically

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all department stores and chain organizations in the country because its houses are located in the middle of our seven large American trade areas. Its merchandise and facilities come in very handy at times for the very largest retailers.

I should either qualify the term "independent merchant" by saying any merchant doing less than a hundred thousand dollars per year, or change the title of my talk to "The Wholesaler and the Average Merchant."

There are many thousands of independent dry goods stores, general stores, and variety stores in this country. Many of them are located in towns or communities with branch stores of the large organizations as their competitors. Practically all of these merchants fall in the second group. They are retailers who do not have the facilities or outlet to buy their goods from the makers or to do their own importing.

There are plenty of exceptions. Some merchants are qualified both in volume and knowledge to obtain certain lines direct from the makers. There are few worthwhile retailers who do not buy some of their lines wisely and profitably from direct sources. But in the main, to be successful, the average retailer must buy a very large portion of his goods from one or more good wholesalers. Any extended endeavor to buy all of his goods from primary sources simply means that the independent merchant will neglect store keeping, selling, and everything else because he must devote practically all of his time to buying.

The average retailer must pay a little more for his goods than the former group does. If he tries to switch his purchases of most items he pays just the same—either wholesale prices to direct

resources because of their added cost to sell him, or in obsolescence and mark-downs because of excess quantities if bought at bottom prices from direct hands.

There has been a lot of talk about the elimination of the wholesaler. The wholesaler of general merchandise is a permanent and important part of our American scheme of distribution. Large retailers perform many wholesale functions for themselves and entail a wholesaling expense. The independent retailer is with us to stay and he needs a good wholesaler. His expenses are usually enough lower than that of large retailers to offset the slightly higher cost of his goods.

Like most other kinds of American business, wholesaling has had to change. Before retailing settled into the two present distinct groups, wholesalers sold merchants goods—and that was that. Since the lines have become so clearly drawn the wholesaler has had to survey his field to see where he stood. The chains and chain store methods caught the average wholesaler napping. When he woke up he found his and his customers' methods antiquated and inadequate to cope with the new conditions.

Investigation, research, and study disclosed to the large wholesaler that the relationship between him and his customer must also undergo a radical change. It became very apparent that the wholesaler needed to protect his kind of distribution by making his customer a better distributor. The problem very quickly resolved itself into these three important factors;

1. To offer the merchant only what he should buy.
2. To sell him what he had to offer him.
3. To teach him how to keep store.

From intimate association with the largest wholesaler, I can say that notable progress has been made in solving all three.

The first; to offer the merchant what he should buy, meant for the wholesaler the taking unto himself of a rather peculiar responsibility. The seller had to learn what not to sell his customer. Quite a new slant!

"Goods well bought are half sold" we have heard said a thousand times. "Well bought" has come to have a new meaning to the wholesaler. To buy goods well he has had to pre-determine what his customer's customers will be buying some months hence and at what proportionate rate each item will be selling. Style change acceleration and the American habit of wanting to improve everything has forced the retailer to turn his stock pretty fast. The tens of thousands of items available has put the burden of selection upon some one.

A store keeper has space for only a small percentage of these items and he must have a good spread of each kind of goods. The selection of the best seller whenever he buys an item is imperative. The large retailer with a dozen or more buyers, a statistical organization and a good executive staff can and does determine the range of items to be stocked and selects the best items in each range.

If the independent retailer has no such facilities, and he hasn't, he must have expert guidance—not the old time, high pressure selling of whatever the wholesaler happens to have to offer him and upon which he makes an undue profit; but guidance in the number of items to have and the price and name of each item.

Because of the great strides made in this country in the last few years by transportation, communication, and moving picture entertainment the American customer has broadened his requirements tremendously and he has become quite discriminating.

Even today some wholesalers are trying to "get by" doing the kind of job they once did when they were about the only sources of supply their customers had because they were strategically and conveniently situated in the nearby metropolis.

It has been no easy task for the wholesaler to change his thinking and his methods. Methods embodying progressive knowledge about merchandise his customers had to compete with became imperative. If he depended upon what his salesmen or non-retail experts relayed to him from what their customers told them, the data he obtained was most meager and inaccurate. Rarely do retailers tell people they patronize the whole truth—even if they know the truth themselves. Unfortunately, the average retailer's knowledge about the

consumer acceptance of various items has been scant.

Therefore, the jobber has been in the position of needing desperately facts which were not easy to obtain.

It is my observation that there is coming about a rather frantic endeavor upon the part of most major wholesalers today to learn how to give their retail customers expert leadership in the spread and composition of their lines. The majority are doing a rather crude job of giving professional advice to retailers about how to merchandise their stores. Many of them have men at the head of these highly professionalized departments who through experience and ability are very poorly equipped to tackle this gigantic problem efficiently.

To know, day by day, in this kaleido-

Efficient, far-sighted wholesaling is calming the troubled waters in both wholesaling and retailing.



scopic era of retailing what one should do when one is a retailer, is difficult enough. It is still harder for the wholesaler to find out from a few retailers what should be done and relay the information effectively to another large group. Plenty of exceptional retailers are succeeding today because they were born with an instinct for store keeping, keep their eyes open, work hard, and study. But such are the very small minority. The rest need persuasive guidance.

I joined the staff of the country's largest wholesaling organization some years ago, to help the management do better merchandising for the average retailer. All of my experience had been retailing. It was my belief that the retailer could be given the name and price of 90% of the items he should have in his store.

When I started this work I had no difficulty in preparing the basic stock lists. My recent retail work was with those items. I had access to progressive records of the sales of the good items and of the inactivity of the poor items. Before long, however, my data was out of date and what little merchandise information I could secure from retailers was not enough to be of much value. The conclusion was that it would be necessary to operate at least a limited number of stores of our own to obtain complete, accurate, up to date merchandise knowledge. Our move has been quite satisfactory. In addition to supplying more than 100,000 retailers of all kinds with occasional shipments, we sell 5000 more or less merchants the major part of their requirements. These merchants are affiliated with us through voluntary chain organizations. From our own experience we are able to give them about the same type of merchandise guidance that large chains give their member stores.

The wholesaler still has with him the problem which confronted the first wholesaler when he set up for business—the selling of his wares. After the wholesaler has determined what he should offer the retailer and has placed in the retailer's hands a sound professional merchandising plan, to be prosperous he must sell the merchant his goods. There is no monopoly. The retailer's front door is never locked during business hours, and any other wholesaler's representative can walk in and try his hand at selling him goods. The merchant is only human and the average wholesale salesman is good. So there you are.

On the other hand if the retailer is to succeed he must (Cont. on page 31)

Crooked pen-holders steal \$4,000,000 a week

by W.H.BOKMAN, Supt.,
Bank Check Department
U. S. Fidelity & Guaranty
Co., Baltimore, Md.

EN Volumes have been written on the subject of check forgeries and alterations, but when one considers the amount business men contribute to the forger annually, the problem is no less acute today than at any time since checks were invented and used.

It has been estimated that over \$200,000,000.00 is lost each year by business men in the United States through check forgeries and alterations despite the fact that every precaution in the way of checkwriting machines, safety paper, and chemically treated ink has been taken to prevent these losses. But judging from the steady increase in losses from year to year it is apparent that these preventives only go part of the way, although they do have some value and reduce the hazard, possibly acting as a deterrent on the amateur.

I believe that the difficulty in curtailing losses is due chiefly to the comparatively light penalties the forgers must pay by law if they are apprehended and convicted. We all realize that our courts appear to be far more lenient and the penalty not near so great when a forger is brought to justice as compared with the hold-up man who takes money or valuables from his victims with the use of deadly weapons. The operations of the penman, who ordinarily is a clever artist and can make amazing changes in a check with a few dashes of ink, are much more simple and reap higher rewards at less risk. This unquestionably is the reason why check forgeries and alterations are increasing to tremendous amounts. It is impossible to prevent losses of this kind, so the only recourse of the business men of America is to protection whereby they will be reimbursed in the event of a loss through forgery or alteration of their checks. It is too late to lock the door after the car is stolen, so the best

means for business men to safeguard themselves is to purchase a forgery insurance contract in some reliable stock insurance company. The conference insurance companies of this country are equipped to offer to the public today a much broader form of forgery and alteration policy than offered in the past.

Few realize the scope of protection afforded under the forgery bond. The Depositors Form protects jointly the assured and his banks against loss on checks, drafts, notes, bills of exchange and trade acceptances made or drawn by or bearing his acceptance or his agent's upon which the signature of the assured as maker, drawer or acceptor has been forged or upon which the signature of an endorser has been forged or which has been raised or altered in any way.

Instruments drawn in whole or in part with a lead pencil other than an indelible lead pencil are not covered. As said above this form of insurance protects the assured and his banks jointly against loss. The reason for this is to eliminate a cause for dispute between the assured and his bank in the event of loss. Forgery losses frequently lead to disputes and disputes to law suits or litigations between the depositor and his bank with the result that a part of his credit with his bank is tied up. This form is drawn to prevent such disputes or law suits as a bank is a credit institution and the customer's suit against his bank might be injurious.

Commercial houses and business men frequently are victimized by employees through forgery or alteration of checks. While fidelity bonds are usually carried on such employees, the amount may be too small to cover the loss. In addition to such fidelity bonds employers should carry a sizeable forgery policy to protect them for such excess loss as might be caused by forgery.

The files of every insurance company writing this form of insurance are prolific with claims paid in connection with the forging and altering of checks, the losses ranging from a few dollars to ones of many thousand dollars.

One case comes to our mind. It is



one that was litigated in New York for eight years and finally lost by the plaintiff. Here are the facts:

The plaintiffs were trustees of a large estate. They kept on deposit with a bank some of the trust funds. The account was active, withdrawals and deposits being made in large amounts. One of the trustees had in his employ a trusted employee, named Hennessey, who handled the details of the account. He was known to the bank as representing the trustees. He received all cancelled checks, the bank book, and bank statement each time the account was balanced. Although the trustee was familiar with the procedure of the bank, and was a business man, he never called for the bank statements, merely checking the cancelled checks turned over to him by Hennessey with the stubs.

Over a period of a year, Hennessey forged unnumbered checks, purporting to be signed by the trustee, to the amount of \$34,671.84, which he, of course, removed from the batch of cancelled checks returned by the bank before giving them to the trustee. The bank had paid all of these without question, but refused to reinstate the account. Suit was filed by the depositor and judgment against the bank secured in the lower court. The bank appealed the case to the Supreme Court and three years later the judgment was reversed and a new trial granted, unless the depositor would remit \$19,534.00 for which the court held the bank was not liable. Two of the five judges dissented. (109 N. Y. S. 274.) Next, a motion was made in the same court to amend the remittitur, which was denied. (112 N. Y. S. 1138.) The case was apparently tried over again in the lower court, this time with a verdict for (Cont. on page 35)

Coinsurance applications

by HARVEY A. BUSH, Fireman's Fund Group

OF Although the origin of coinsurance cannot be traced, the coinsurance clause in one form or another has been in use for many years and is an adaptation of the average clause which dates back to the beginning of marine insurance. It is embodied in all fire policies in France, Germany and several other countries in Europe.

Since 1826, the coinsurance clause has been mandatory in Great Britain in all policies which cover merchandise distributed in several places and in fluctuating amounts.

While the principle of coinsurance has been almost universally approved, it has not been adopted generally throughout the United States, except in the larger cities. The clause is, however, permitted and used in most of the states.

The coinsurance clause is also referred to as the reduced rate average clause, the reduced rate contribution clause, the reduced rate coinsurance clause, and the percentage coinsurance clause.

The most commonly used coinsurance clause reads:

"In consideration of the rate and/or form under which this policy is written, it is expressly stipulated and made a condition of this contract that the insured shall at all times maintain contributing insurance on each item of property insured by this policy to the extent of at least . . . per cent of the actual cash value at the time of the loss, and that failing to do so, the insured shall to the extent of such deficit, bear his, her or their proportion of any loss."

If property is insured subject to the 80 per cent coinsurance clause, for example, the coinsurance feature has no effect whatever when insurance is carried to the amount of 80 per cent of value or more; the insurance, therefore, pays the entire loss, not exceeding the

amount of the policy. For example:

Value	Insurance
\$10,000	\$8,000
10,000	8,000
10,000	8,000
Loss	Insurance
\$6,000	pays \$6,000
8,000	8,000
9,000	8,000

The 80 per cent clause has no effect whatever when the loss equals whatever when the loss equals or exceeds 80 per cent of value, no matter what the insurance is. In this case, also, insurance pays the entire loss, not exceeding the amount of the policy. For example:

Value	Insurance
\$10,000	\$6,000
Loss	Insurance
\$8,000	pays \$6,000

When both insurance and the loss fall below 80 per cent of the value, the insured becomes a contributor to the amount of the difference between 80 per cent of the value and the actual insurance in force at the time of the fire.

In the case of property valued at \$10,000 (insured for \$7,000) involved in loss to the extent of \$5,000, what is the effect of the 80 per cent coinsurance clause? Eighty per cent value is \$8,000. Insurance being \$1,000 less than this sum, the owner is a contributor to that amount, and contributes to the loss in that proportion.

Insurance (\$7,000) thus pays seven-eighths of the loss (\$5,000), or \$4,375; leaving one-eighth, or \$625, as the owner's contribution.

The 100 per cent (or full) and the 90 per cent coinsurance clauses follow the same principle, the difference being merely in the percentage of insurance to be carried.

Fire insurance is a system of averages in the sense that premiums collected from the many who insure must pay the losses of the few whose property is destroyed by fire. The cost of insurance—that is, the rate of premium—varies in accordance with construction, occupancy hazards, combustibility of contents, exposures, and fire protection, and is reduced proportionately with the likelihood that fire occurring will only partially destroy the property involved.

Manifestly, rates can be so reduced only when a partial loss to property will result in a proportionately partial loss to insurance thereon.

Governed by the law of average, these rates cannot be fixed to distribute the burden of this fire cost justly and equitably unless the percentage of insurance carried to the value of the property covered is about the same in each case, or else there is some limitation of liability for loss in the proportion that insurance bears to value, precisely as it is impossible to fix an average rate of city taxation justly and equitably unless the assessed valuation of all buildings is fixed at the same percentage of their full or market value.

The universal application of coinsurance will result in a more equitable distribution of the fire cost and lower average rates of premium than could possibly obtain without its adoption.

A well-known adjuster had the following to say about coinsurance:

"If you are asked or required to have a coinsurance clause included in your policies, do not object. The cost of sufficient insurance to comply with the coinsurance clause may seem high, but in cases of severe loss it has saved more property owners from bankruptcy than any other preventive known to man. Like castor oil, it seems harder to take than it really is, and the resultant effect is so gratifying the taking of the dose is entirely forgotten."

The Insurance Department of the Chamber of Commerce of the United States issued an interesting bulletin a number of years ago which contained a strong argument for the use of coinsurance.

The bulletin reads in part:

"The purpose of the coinsurance clause is to distribute the fire loss equitably among (Continued on page 33)

Education's course

by CHARLES A. COLTON, N.A.C.M. Director, and OSBON W. BULLEN, President, Boston C.M.A.

AS in "The Good Book," there is always a Genesis somewhere, at some time, even though the causes for the beginning may be somewhat obscure and its motivation somewhat mixed. And so with our Boston Educational Program. Its beginnings may be difficult as to dates, its backgrounds difficult to define, but its intent and purpose is subject to no indefiniteness whatever.

We believe that the key—or one of the keys—to solving that ever-difficult and ever-present problem of Association membership can be found in interesting, encouraging and educating juniors of the present and the future, in every phase of credit work so that they may become better administrators, executives, managers and financial authorities than we have ever had.

And by reason of that complete mastery of their profession they will become members and active workers in the Association itself, realizing the benefits to be derived from its contacts and personal friendships, without intensive membership drives.

Moreover, by having the Association recognized as the proper body to sponsor, supervise, and maintain from year to year suitable Educational programs throughout the country the Association cannot fail to reap a benefit, an interest, and an increasing strength throughout the years to come.

This is our CREDO. Let us see what led up to it in Boston and what it is intended and expected to accomplish.

In April or May of the current year a survey was made of what had, or was being done in Boston to stimulate interest in the Boston Chapter of the National Institute of Credit and it was found that Miss Bessie B. Loring, its then as well as present President had put new vim and vigor into its programs, but it was not receiving full and proper support by the Association membership; and that while a course in Credits and Collections was being given by one of the local educational institutions, the Association exercised no control over those courses nor suggested their wider scope to meet changing con-

ditions nor the issuance of Junior and Senior certificates by the N. A. C. M. in accordance with its requirements. There was no foundation for criticism of conditions as they were. They had simply—like Topsy—"just grew" without much serious attention by the local Association.

In arranging any program we deemed it of great importance that the work of the Institute itself as a branch of the National Association should be stressed as much as possible, but that whatever program might be adopted, it should also "tie-in" with the subjects to be covered by the University Extension courses. Further, it was necessary to avoid any friction with any other educational organizations which have been presenting credit education as part of their regular yearly work.

It is a well recognized fact that Massachusetts stands high in its educational rank. We do not make that as a claim. We admit it. What, then, could

be more logical than to obtain all the benefits which would accrue to the Boston Chapter by being associated with the University Extension courses maintained, operated, and with the exception of a small fee, paid for by the Commonwealth of Massachusetts itself? There are doubtless similar Courses maintained by other States to which local Associations could well look for the co-operation and the whole-hearted support which we have received in the Boston District.

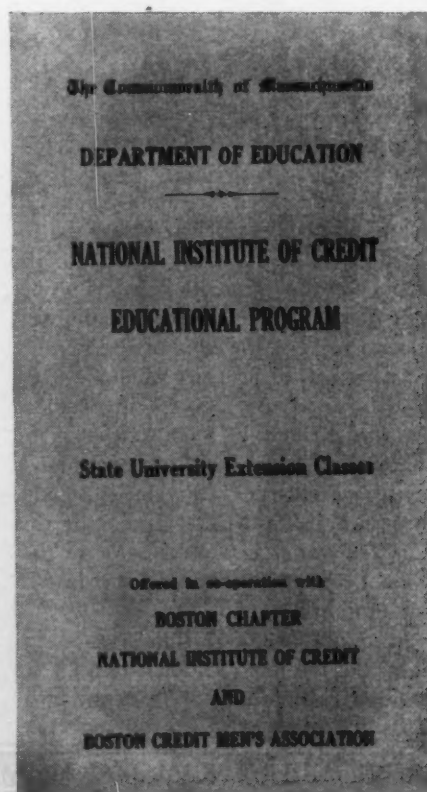
During the early summer a Committee consisting of the Director for the Boston District, the President of the Boston Association and the President of the Boston Chapter of the National Institute of Credit called on Dr. Payson Smith, Commissioner of Education, stating our needs and desires and our purpose of obtaining a course which would be of such a grade that it would be above criticism, have competent and experienced instruction, and at a cost that would be within the reach of all.

The Committee met with every possible courtesy and consideration. Mr. James A. Moyer, Director, and Mr. Otto Kiessling, Assistant Director of the Division of University Extension, co-operated to the fullest extent possible, even permitting the addition of other courses as suggested by the Committee, as well as suggestions as to those who might be selected on the teaching staff.

Up to this point the entire matter had been treated as something of a local situation, although of course it was hoped that it would, in course of time, be brought to the attention of a wider field and we were particularly pleased to learn of the action of the National Convention at Los Angeles in adopting the following resolutions at the June meeting:

"RESOLVED, That as a contribution to the stabilization of our credit commerce, the National Association of Credit Men bend every effort to place the management of credits on the proper plane of professional service by providing educational facilities and encouragement that will attract the best human material;

Massachusetts cooperates



in Boston

"AND, That all local associations of Credit Men join heartily in this educational movement and set up carefully appointed committees that will co-operate with the National Department;

"AND, That local chapters of the National Institute of Credit be organized as an additional step toward stimulating interest in, and co-operation with, the general community educational program."

This indicated not only national interest but national co-operation and a renewed effort on the part of the Associations in general to get behind the Institute work and push it with much more vigor and interest than has heretofore been the case.

In making up the Institute program for 1934-35, it was felt that social activities would do a great deal to stimulate interest and promote friendships among the members of the organization. A very competent committee was organized which has arranged for four social events during the season commencing in October and ending in May. These include a Hallowe'en party, a supper and bridge, a costume party, and a dinner-dance. Such affairs in the past

have been thoroughly enjoyed by the membership and there seemed to be a call for a continuance of that policy. It is believed that its effect will be extremely beneficial.

On the business side, the Institute will discuss the following topics:

1. The everyday problem of the Credit Executive and his assistants.
2. Financial statements.
3. Current economic trends.
4. What do you know about the art and science of letter-writing?
5. The legal aspects of credits and collections.
6. The credit side of merchandising.
7. The value of the Credit Executive and his opportunity.

Every student in the Department of Education Courses who is working to obtain a Junior or Senior certificate in the Institute must be a member of the Boston Chapter and attend its regular monthly meetings. Of course, there are many who will take the courses without seeking a certificate, but they may join the Institute if they so desire and it is hoped that with the stimulation of in-

terest in credit topics, the Institute membership will thereby be increased.

At its own expense, the University Extension Courses of our Commonwealth have printed 5,000 six-page folders, attractive in design and thorough-going in scope, of which 2,000 were furnished to the Boston Association for circularization among its membership. As many of the local retail stores, particularly of the department type, have a large number of employees in their credit departments, the retail association list was put at our disposal and circularized as well.

It should be noted that some of the topics like "Principles of Economics" and "Business Law" are of college grade and can also be taken by correspondence, therefore, circulars were sent to the Western Massachusetts Associations. In these ways the Boston Metropolitan District and the State were covered so far as it was possible to do so.

The subjects to be covered in the State University Extension Classes include:

Credits and Collections—Presenting the principles of present day practice in commercial credit as they affect the wholesaler, the manufacturer and the Banks, and includes every phase of credit granting, investigation and functioning of the ordinary credit department.

Analysis of Financial Statements will emphasize ratio analysis with actual studies from ample material for demonstration purposes. (Cont. on page 45)

☐ No chair-warmers in Boston these days as the campaign rolls along.



Score sheet of collection and sales conditions

State	City	Collections	Sales	State	City	Collections	Sales
Ala.	Birmingham	Good	Good	N. Y.	Binghamton	Fair	Fair
Ariz.	Phoenix	Fair	Fair		Buffalo	Fair	Fair
Ark.	Little Rock	Good	Good		Elmira	Fair	Fair
Calif.	Los Angeles	Slow	Fair		Jamestown	Fair	Fair
	Oakland	Slow	Fair		Norwich	Fair	Fair
	San Diego	Good	Good		Rochester	Fair	Fair
	San Francisco	Good	Fair		Syracuse	Fair	Fair
Colo.	Denver	Fair	Fair	N. D.	Charlotte	Slow	Fair
	Pueblo	Fair	Fair		Grand Forks	Good	Good
Conn.	Bridgeport	Fair	Fair	N. M.	Albuquerque	Fair	Fair
	New Haven	Fair	Fair	Ohio	Cincinnati	Good	Good
D. C.	Washington	Slow	Fair		Columbus	Good	Good
Fla.	Jacksonville	Fair	Fair		Dayton	Fair	Good
	Tampa	Good	Good		Toledo	Slow	Slow
Ga.	Atlanta	Fair	Fair		Youngstown	Slow	Slow
Hawaii	Honolulu	Slow	Slow	Okla.	Oklahoma City	Slow	Slow
Ill.	Chicago	Good	Fair		Tulsa	Slow	Slow
	Peoria	Fair	Fair	Pa.	Allentown	Slow	Slow
	Springfield	Good	Good		Altoona	Slow	Slow
Ind.	Evansville	Good	Good		Harrisburg	Fair	Slow
	Indianapolis	Fair	Fair		Johnstown	Slow	Slow
	South Bend	Fair	Fair		Philadelphia	Fair	Fair
	Terre Haute	Fair	Fair		Uniontown	Fair	Fair
Iowa	Burlington	Fair	Fair	R. I.	Providence	Slow	Fair
	Cedar Rapids	Good	Good	Tenn.	Bristol	Fair	Fair
	Davenport	Slow	Fair		Chattanooga	Slow	Slow
	Des Moines	Fair	Fair		Knoxville	Good	Good
	Ottumwa	Fair	Good		Memphis	Good	Fair
	Sioux City	Fair	Fair	Tex.	Austin	Slow	Fair
	Waterloo	Good	Fair		Dallas	Fair	Fair
Kan.	Wichita	Fair	Fair		El Paso	Fair	Fair
Ky.	Louisville	Fair	Fair		Ft. Worth	Fair	Fair
La.	New Orleans	Good	Good		San Antonio	Fair	Good
	Shreveport	Fair	Fair		Waco	Fair	Fair
Md.	Baltimore	Slow	Fair	Utah	Salt Lake City	Fair	Fair
Mass.	Springfield	Slow	Slow	Va.	Lynchburg	Fair	Fair
Mich.	Detroit	Good	Fair		Richmond	Good	Good
	Flint	Fair	Good	Wash.	Bellingham	Slow	Slow
	Grand Rapids	Fair	Fair		Seattle	Fair	Fair
	Jackson	Fair	Slow		Spokane	Fair	Good
Minn.	Duluth	Fair	Good		Tacoma	Fair	Fair
	Minneapolis	Fair	Fair	W. Va.	Bluefield	Fair	Fair
	St. Paul	Good	Fair		Charleston	Fair	Fair
Mo.	Kansas City	Fair	Fair		Clarksburg	Fair	Fair
	St. Joseph	Good	Good		Huntington	Fair	Good
	St. Louis	Good	Slow		Wheeling	Fair	Slow
Mont.	Great Falls	Fair	Fair	Wis.	Fond du Lac	Fair	Fair
N. J.	Newark	Fair	Fair		Green Bay	Fair	Fair
	Trenton	Fair	Fair		Milwaukee	Fair	Fair
N. Y.	Albany	Slow	Fair		Oshkosh	Fair	Fair

Collections and sales comments:

Sioux City, Iowa, reports farmers in rural communities benefitted by the increase in corn price. A large portion of the 1933 crop was sealed under Government contracts. The increase on the market price of this corn directly benefitted the farmer, at no cost to the Government. This placed a greater buying power in the hands of the farmer and assisted tremendously in offsetting the loss through the failure of the small grain crop . . . The severe drought and crop shortage in Shreveport, Louisiana will have its effect on collections during the coming months. The delay in marketing of cotton is also having a very marked effect on collections. A good crop is reported to have been made in the lowlands of Northeast and East Central Louisiana, and the prospects there seem brighter . . . The crop failures in Duluth, Minnesota have affected this territory because of the

large volume of wheat that is generally shipped through this port. Iron ore is moving only in what might be termed a fair manner, but it will very shortly

Summary

This month:

Collections	Sales:
Good 19	Good 19
Fair 58	Fair 63
Slow 19	Slow 14

Last month:

Collections	Sales:
Good 11	Good 8
Fair 62	Fair 70
Slow 25	Slow 20

commence to slow down. Relief work goes on unabated, and that has put some money into circulation and has helped the immediate situation . . . Minnesota is beginning to feel the effect of the increased prices for agricultural products, which coupled with the government wheat-corn-hog bonus payments is making it possible for debtors to liquidate loans and pay some of their long past due debts. Several houses report substantial payments on suspense account items. Buying power in this market is up substantially in comparison to the past two years, and increased fall buying is anticipated . . . The steel works in Johnstown, Pennsylvania are very slow, working about two days per week. The coal mines are also slow, but this is expected to pick up this winter . . . Uniontown, Pennsylvania believes that the curtailment of coal production of captive mines in tri-county district has caused recent recession of business.

The business thermometer:

EN Labor troubles (both threatened and in operation) had a considerable effect upon business progress during the past month. Indications late in September pointed to possible settlement of some of these difficulties. The meeting in Washington late in September of the Business and Advisory Council of the Department of Commerce was called especially to discuss these situations and to seek a solution. One of the interesting features of this meeting was the discussion of the proposal by General Johnson that employers organize for industry-wide bargaining with labor. The first reaction indicated that industrial leaders were not in sympathy with the General's idea but were willing to learn more of its possibilities.

The strike situation in the textile centers both north and south has made a marked difference with retail sales totals in these localities. The wool and cotton markets fell into a lethargic condition which shows buyers quite unwilling to place orders beyond immediate needs. Small exports of cotton in recent weeks also brought discouragement to some of the larger cotton market centers. Total exports from American ports are now about 440,000 bales behind the corresponding period of last year.

In a forecast of the steel industry issued late in September, the magazine "Steel" observes that sentiment in the iron and steel trade is much brighter. Buying by the larger auto makers and an activity in P. W. A. projects will advance this situation during October, the magazine says. Bids on about 100,000 tons will be taken during the next few weeks on such projects as the Los Angeles Water district, the Coulee dam in Washington, Fort Peck, Mont., dam, a new bridge at Omaha and a big new post office for New York City.

Professor Irving Fisher's index of commodity prices fell during the third week in September to 79.9 as against 80.2 the week before and 100 as the average for 1926. This same falling off is shown in the Crump index of British prices for the same week which was 64.8 as compared with 65.4 a week earlier. Commissioner Lubin of the Bureau of Labor Statistics in an announcement

made on September 7th had the following to say about the price index figures:

"The present index for the farm products group is 73.5% of the 1926 average. It is 28.7% above a year ago and 45.8% above two years ago, when the indexes were 57.1 and 50.4, respectively. The index for foods is 76.6 compared with 65.3 for a year ago and 61.6 for two years ago, showing increases of 17.3 and 24.4%, respectively. The index for this group now stands at the highest level that has been reached since March 1931, when prices had declined to 77.6% of the 1926 average.

"Advance in prices for clothing and cotton goods caused the textile products group to increase by 0.4 of 1%. The index for the group (71.3) was 6% below the price level for the week ended Jan. 6 of this year, when the index number registered 76.0. The current level compares with 74.2 for one year ago and 54.2 for two years ago."

Department store sales showed better than seasonal advances according to the Federal Reserve Board's report for July and August. Retail prices were 6.3 percent higher on September 1, the report shows, than on a similar date a year ago.

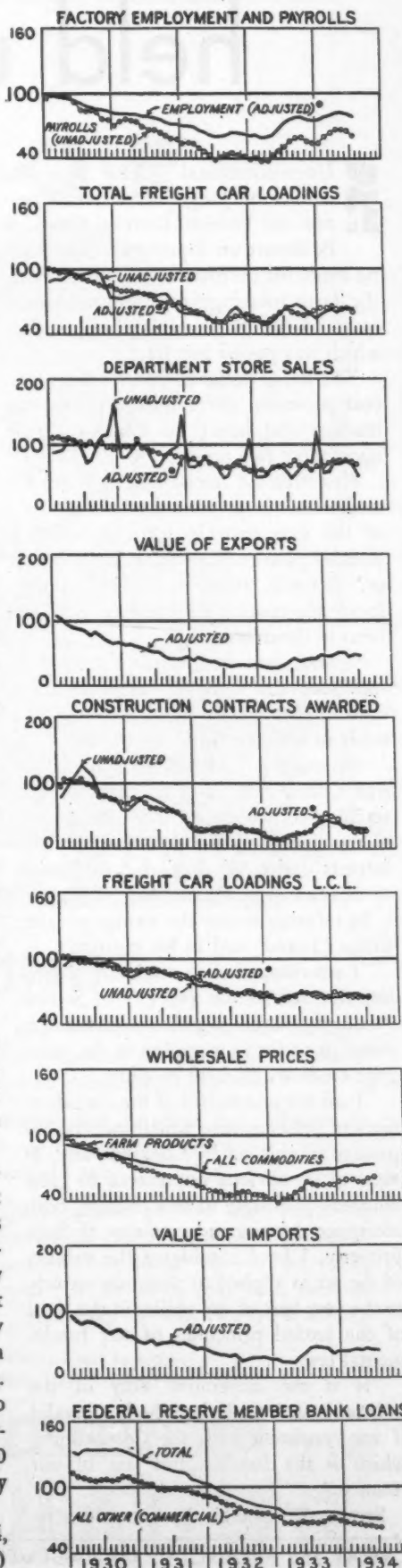
An interesting sidelight on "big business" in the United States is shown in the report of the Bureau of Foreign and Domestic Commerce, which estimates Americans spent \$292,000,000 in foreign travel during 1933. This total was 35% below that for 1932 and 65% below the total of 1929, which total was well over the three quarters of a billion dollar mark.

Including the payments made on September 14, the A. A. A. announces that a total disbursement of \$78,500,000 has been made on this year's corn-hog contracts. This amount represents nearly 60 per cent of the total first installment of approximately \$133,000,000 now being paid to farmers participating in the 1934 corn-hog adjustment program. Thus far checks have been mailed to over 800,000 contract signers in thirty-nine States. Approximately 1,200,000 corn-hog contracts were signed by farmers.

From September 8 to September 14, inclusive, corn-hog (Cont. on page 33)

Department of Commerce Charts

1923-25=100



Farm moratorium is held unconstitutional

Unconstitutional. That was the verdict of Judge W. Calvin Chesnut in Federal District Court in Baltimore on September 19th, when he made his decision in a case involving the farm mortgage moratorium amendment to the National Bankruptcy Act, which was passed last June.

The Judge declared that the Act's five-year provision discriminates against the creditor and based his opinion chiefly upon these two points:

First, that the amendment deprives the creditor of the protection which the laws of the state provide for him while it doubles protection given a former debtor. It tends, therefore, he held, to confiscate the creditor's property to save the farm to the debtor.

Second, that the amendment tends to supersede the right to retain by each state in the operation of its courts and tends to abrogate legal contracts.

Although it is the decision of a District Court, it is expected to be of far-reaching consequence. The case applied to two petitions filed by two Maryland farmers under Sub-Section A of Section 75 of the Lemke Frazier Act.

In refusing to stay the mortgage sales, Judge Chesnut said in his opinion:

"I am compelled to reach the conclusion that sub-section (s) (7) of Section 75 of the Bankruptcy Act is unconstitutional in so far as it applies to the mortgage creditors of farm property.

"I am not unmindful of the considerations of public nature which induced the passage of this act by Congress, and, in view of its obvious importance to great numbers of people in this country, both mortgage debtors and creditors of farm property, I have considered the validity of the act as applied to them respectively to the very best of my ability in the light of the settled principles of our fundamental law.

"It is the imperative duty of the judicial branch to declare the law invalid if not consistent with the Constitution, which is the fundamental law of our country."

Section 75, one of the two additions

The laws of bankruptcy are far less severe on debtors than they used to be. At one time in Scotland bankrupts were compelled to wear a distinctive costume, and in England, until 1861, they were treated almost as criminals. So degraded was bankruptcy in general esteem that newspapers and magazines with pretensions to refinement hesitated to print the word in full and when they had to use it, say in publishing a list of unfortunates compelled to file a petition, they did so under the heading, "B-k-r-pts."

to the National Bankruptcy Act, added by Congress early last year, and which deals solely with compositions and extensions for agricultural debtors, has been utilized by farmers "to a very negligible degree," according to a study of the first year's operation, made by students in the Yale Law School, and reported in the Yale Law School Journal, according to the New York Times.

In their study of Section 74, which furnishes relief by providing for composition or extension agreements when demanded by a debtor and agreed to by a majority in number and amount of his creditors, 510 referees in bankruptcy were circularized and 340 stated that only 961 cases had come before them applicable to that section.

The report shows that during the same period, 62,256 cases were filed under all sections of the Bankruptcy Act. Some 110 bankruptcy referees gave their opinion of this section, ten being favorable and the remaining 100 unfavorable.

Of the 961 individuals who sought relief under the provisions of Section 74, 638 were wage earners. There were 109 merchants, 16 manufacturers, 49 other

entrepreneurs, 63 farmers, 15 professional men and 69 are listed as miscellaneous.

Relief to the wage-earner class has not been geographically widespread, the report states, since all but thirty-nine of the cases of this type were reported by referees from Birmingham, Atlanta, Knoxville and Norfolk.

"The reason for this concentration is largely a matter of conjecture," the report states. "In Birmingham, where 482 wage-earner petitions were filed, the large number has been attributed to the severe garnishment statutes in Alabama."

A previous study of collection remedies in Alabama, also made by the Yale Law School, indicated that these remedies are no more harsh, for example, than those in New England, where few petitions have been reported under Section 74.

Rochester conference

Plans for the annual Tri-State Conference of Credit Men of New York, New Jersey and Pennsylvania, to be held at the Hotel Seneca, Rochester, on October 19 and 20, are rapidly rounding into shape. H. H. Kase, of Taylor Instrument Companies, chairman of the Rochester Publicity Committee, made known recently that addresses will be made by Fred. Roth, of the Whitney-Roth Shoe Co., Cleveland, President of the National Association of Credit Men; Henry H. Heimann, national executive manager; David A. Weir, assistant executive manager, who will use the subject "A New Business Normal," and W. Randolph Montgomery, counsel to the national body, who will discuss "Creditors' Rights as Affected by Recent Amendments to the Bankruptcy Act."

Alexander Wall, secretary of the Robert Morris Associates, of Lansdowne, Pa., the bank credit group, will also speak, as well as Dr. Meyer Jacobstein, publisher of a Rochester daily newspaper. Expectations are that an NRA official will be on the program, together with a representative of the Chamber of Commerce, and a well known economist.

Burroughs

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IT'S ELECTRIC



AUTOMATIC "RECAPPING"

**TWO SETS
OF DIALS**

Individual totals are obtained in the front dials, then transferred electrically to the rear dials where they accumulate as a grand total. Dials are well separated to avoid confusion.

**ELECTRIC
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Touching the motor bar transfers the individual total from the front to the rear dials electrically.

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At the single touch of a key the front dials can be cleared separately, without transferring; another key clears both dials simultaneously. Both operations are electric. There are no cranks to turn; no levers to pull.

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Entirely new feature provides the simplest and fastest method of subtraction on any key-actuated calculating machine.

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The machine gives, or takes, the half-cent as desired; or accumulates fractional amounts in the normal way.

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The Duplex retains all the advantages of other Burroughs Electric Calculators, including complete one-hand control; uniform, light touch for all keys; and fast, positive action. Accuracy is electrically enforced.

The Duplex is furnished in 9 and 13 column sizes. For a demonstration, telephone the nearest Burroughs office, or write direct for illustrated folder. Burroughs Adding Machine Company, Detroit, Michigan.

THE MODERN CALCULATOR IS ELECTRIC

BURROUGHS CALCULATORS



Paging the new books



Reviews of the important books on business, to aid executives whose reading hours are limited.

This month's business book

THE COMING AMERICAN BOOM.
By L. L. B. Angas. Simon and Schuster, N. Y. \$1.50.

Just at the end of the summer doldrums, Wall Street took a jump this year which lasted for a few days. It was coincidental with the publication of this latest work by Major Angas. "The Coming American Boom" is an analysis of the Roosevelt policy from an English standpoint. In its last pages it develops a program for taking advantage of a boom which Mr. Angas is sure is inevitable.

Actually this has been well termed "a market letter from abroad." Major Angas presents his analysis of the Roosevelt program from the viewpoint of the quantity theory of money school, which believes that control of money will cure most or all of our economic evils. In this he is in line with the ideas of, and actually quotes, John Maynard Keynes. But there is not as much proof in the past few months that a monetary cure is thorough-going after we analyze the experiences we have had following the boom of last summer when inflation was thought to be around the corner, and of last Fall when the administration monetary policy began, with the avowed purpose of managing the American dollar,

so that we would have the price level of 1926.
—P. H.

WHAT EVERYBODY WANTS TO KNOW ABOUT ANNUITIES. By G. W. Fitch. Alfred A. Knopf, N. Y. \$2.00.

In his preface, Mr. Fitch admits that for 15 years he carried a rate book for one of the large Eastern insurance companies. Ordinarily you don't have to invite or escort an insurance agent into your home. He usually seems to find his way in. But you are safe in escorting Mr. Fitch into your home in the form of his recently published book on annuities. It is a work that developed from an article, which he presented in "The American Mercury," entitled "One Way To Security In Old Age."

Fortunately for the reader, Mr. Fitch is more than an insurance agent. He has a grasp of economics that is firm and understanding. Therefore, he understands that while the annuity is not completely perfect as a form of investment, it is perhaps as perfect a form as has been devised for security and income under the system of economics which prevails today.

Not enough is known about annuities. That is obvious. Most people have heard about them; few know anything specific about annuities, however. Mr. Fitch does not attempt to convert the reader to annuities in this book, but he does present a thorough-going analysis of the problem which they answer, the various kinds that are available, the need for them, how dependable they are, and their history.

Since this issue of Credit and Financial Management is dedicated to fire prevention and insurance matters, it is a fitting time to call the attention of our readers to this work as being thoroughly fair and very excellent in its presentation in the matter of income insurance. And in these troublous times, anything that promises well in the matter of income insurance is worth investigation, at least.
—P. H.

DYNAMITE. By Louis Adamic. Viking Press, N. Y. \$2.00.

With the interest now being displayed by everyone in the textile strike, one of the biggest strikes this nation has ever seen, it is timely to note the second publication of Louis Adamic's book, which first came out a few years ago. "Dynamite" is sub-titled: "The Story of Class Violence in America."

It is the history of trouble between employers and employees from the first,

which occurred in New York City in 1826, right down to the threatened steel strike during the past summer.

This is a book that is written from a sympathetic labor viewpoint. Regardless of whether or not we consider it a fair analysis, we must realize that any understanding of labor troubles demands a full understanding of the claims and irritations of both sides. "Dynamite" is a historical account of labor troubles as labor's supporters view them.

Unfortunately, there is a slight inconsistency in the author's viewpoint. This may be due to the fact that when the first edition of this book appeared in 1931 the promise of a new day for labor had pretty well subsided and, accordingly, labor commentators were not as hopeful then as they have been in the year since the passage of the National Industrial Recovery Act with its well known Section 7-A. The difference in outlook can be seen in the chapters written which brings this book down to date from 1931, it stopping short with the recent textile strike.

Regardless of whether you are pro-labor, anti-labor, or on the fence, this is the kind of book you should read. It will help you develop a definite viewpoint on causes of labor and capital troubles. Besides that, it is a dramatically written, fast-moving history of strikes, dynamite and racketeering that makes the average detective thriller seem wan and pale.
—P.H.

THE COMMODITY DOLLAR, by Harold L. Reed, Farrar & Rhinehart, N. Y. 25c.

THE MONETARY THEORIES OF WARREN AND PEARSON, by Walter E. Spahr, Farrar & Rhinehart, N. Y. 25c.

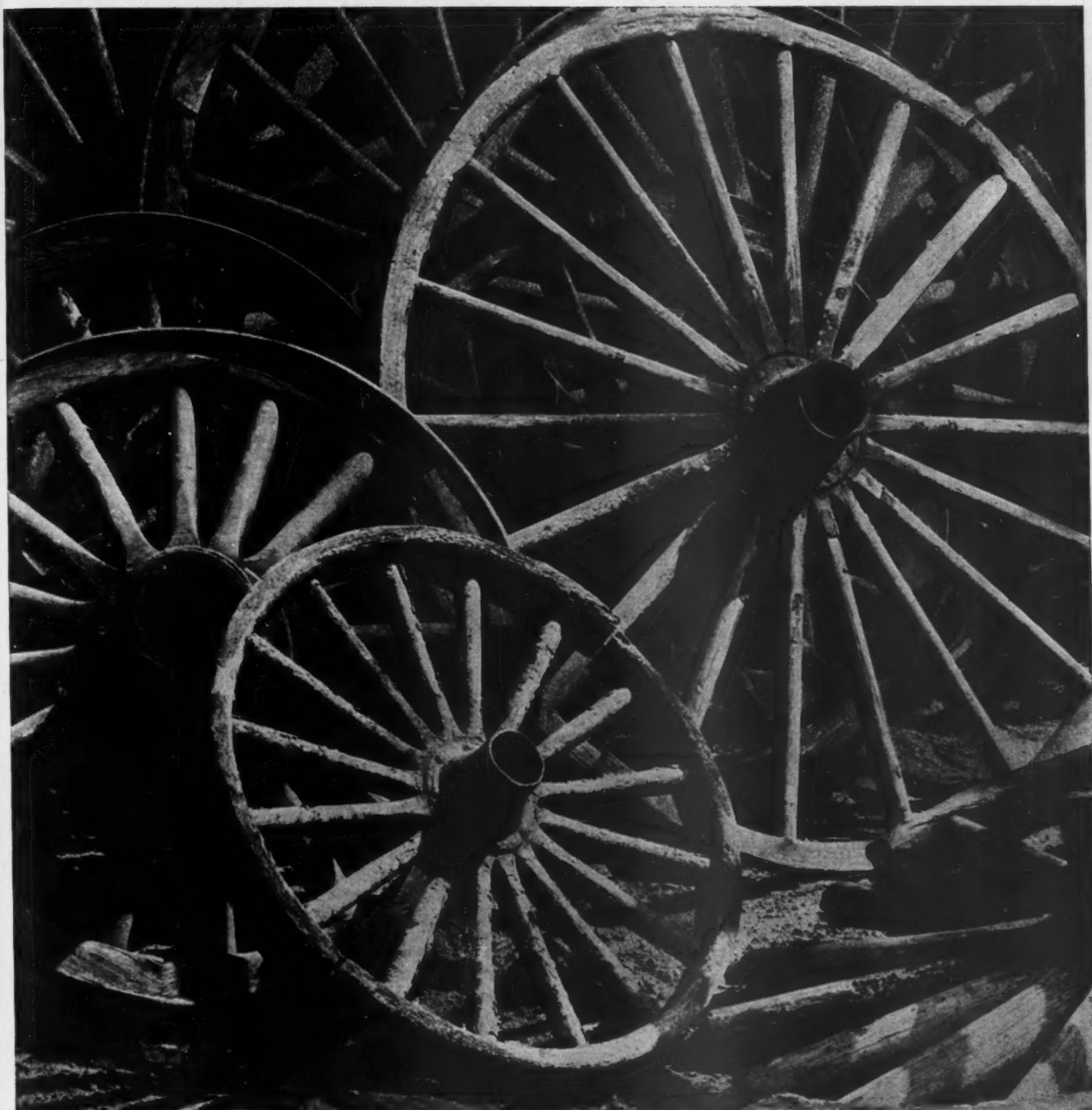
The rather conspicuous failure of the administration policy of a year ago, in regard to increasing the price of gold in order to stimulate a rise in the price level, brings prominence and importance to these two excellent pamphlets, the first and second of a series published by Farrar & Rhinehart. Dr. Spahr's pamphlet presents a summary of the Warren theory, as well as a criticism of it. Dr. Reed also disagrees with the Irving Fisher-Warren idea of the possibilities of managed money.

"You say you served in France?" queried the restaurant manager, as he sampled the new cook's first soup.

"Yes, sir. Cook for two years and wounded twice."

"You're lucky, man. It's a wonder they didn't kill you."

CREDIT and FINANCIAL MANAGEMENT OCTOBER, 1934



RALPH REX

WAGON WHEELS

"ROLL OUT" and "ROLL ON" were still being shouted along the old wagon trails of the West when the Standard Accident Insurance Company of Detroit was organized. • Since 1884 (more than 50 years), this organization, one of the pioneer institutions of its kind, has been guarding the interests of its policyholders with sound stock company insurance protection. Today, financially well entrenched and fortified with the wisdom of long years of experience, Standard is in a stronger position than ever to perpetuate the good fortunes of those whom it insures. • Responsible insurance agents and brokers everywhere can provide casualty insurance and bonds in this time-tested institution. Over 136 millions of dollars have been paid on behalf of policyholders.

Standard writes: Automobile Insurance, Personal Accident and Sickness Insurance, and policies covering Burglary and Holdup, Plate Glass Breakage, all forms of Liability, Workmen's Compensation and Fidelity and Surety Bonds.

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STANDARD ACCIDENT INSURANCE COMPANY

When writing to advertisers please mention Credit & Financial Management

"This month's collection letter"

by A. J. SCHLIRF, Henry C. Garrott, Inc., St. Paul, Minn.

Dear Sir:

OUR JUNE FIRST STATEMENT, and this is the month we make every effort to adjust past due balances open and owing. The attached statement shows that you are owing PAST DUE \$37.64.

During June we audit our books. This audit will be completed within the next ten days; that is the reason we would appreciate a remittance for items owing and of long standing. You will be helping us in a big way by promptly sending a payment, and even though you can not remit by check for immediate deposit, it will be assisting and at the same time be doing us a favor by sending a post dated check. We will then have something tangible to show our auditors.

Be sure to give this letter prompt attention and let us have your check in a few days. A response will be appreciated and is expected no later than June 11th.

Cordially yours,

Dear Sir:

Along with our statement of June 1st we told you by letter that an audit was being taken of our books and that we were especially anxious to adjust items owing and of long standing.

YOUR JUNE FIRST STATEMENT LISTED PAST DUE \$37.64.

We are in the midst of our audit, and you can still assist us greatly by responding promptly with a remittance. We will expect to hear from you not later than the beginning of next week, and we are confident now that a second reminder has been sent, you will reply promptly.

Extending kindest regards and best wishes, we are
Cordially yours,

C "It may appear a bit egotistical when I say that the two attached collection letters have during this month of June produced excellent results," Mr. Schlirf writes us.

"While, of course, they are not new, novel, or individual, they are perhaps the accumulation of several ideas that appeared on the page, 'This Month's Collection Letter.' For a long time past I have been an interested pupil in the aforesaid page; in fact it is one of the first that I turn to in reading 'Credit and Financial Management,' so then it would only be fair to contribute to the magazine an idea that has worked for me.

"These letters as I said before pro-

duced unusually well, and when the first one missed its goal, the second picked up just where the first left off, either getting the payment or telling me the reason why a check has not been sent or finally a promise as to when the remittance would be mailed.

"I feel in contributing these two letters that I have repaid a bit for the constructive ideas given me, and I sincerely hope that the page will be continued for a long time."

Supplementary to your collection letter efforts there should be reliance on Credit Interchange reports. With interchange reports before you on each of your accounts, you will attain maximum effectiveness in using the collection letters presented here.

50

Collection Letters

50

Cents

Published by the

National Association of Credit Men,
One Park Avenue, New York, N. Y.

CREDIT and FINANCIAL MANAGEMENT OCTOBER, 1934

CF The future of **FM** wholesaling

(Cont. from page 19) make it possible for the wholesaler to sell him goods at a very low selling cost by buying a volume of goods because the goods are properly price lined and maximum values.

Every additional percent the retailer pays the wholesaler for excessive selling cost, must either come out of his gross profit or be added to the price of the merchandise. The chains have made the cost of distribution between the producer and the consumer a condition the retailer, who must use the wholesaler, should help solve by making selling him a simple economical operation. In our present scheme of distribution whenever this cost becomes excessive, the retailer's and the wholesaler's sales immediately drop off. The wholesaler's merchandising program must be strong enough to make the wholesaler's selling and distributing costs very low and the retailer must co-operate.

Our selling is done through outside salesmen who call upon our voluntary chain members and prospective members, and through a monthly catalog which goes to the merchants these men call upon, and all other merchants who make it worthwhile for us to send them a catalog.

We furnish the voluntary chain members with special lists of Basic stock items we recommend they handle.

Because department stores and chains have constantly done a better job of store keeping, the average retailer must progressively improve his technique. The exceptional independent retailers have needed no prodding. They read the trade journals, visit the largest centers, and study the methods of syndicated stores, so as to improve their store keeping.

The wholesaler found the rank and file almost impervious to the great improvements inaugurated by larger retailers. Just as important a part of the wholesaler's program as professional merchandising to distribute more of his goods, is to carry the message to the average independent retailer of how to make and keep his store lively, attractive, and manned by well trained personnel.

To us retailers, the store is made up of a few important parts; namely show windows, interior atmosphere, merchandise display, statistical records, reserve stock, the store personnel. The independent retailer needs authoritative and sound instruction (Continued on page 35)

TIP

But this one's a *real* tip:

There are "tipster columns" galore. We're not interested in publishing one. We have, instead, a piece of genuine information. And if you're interested in improving your chances of improving your position, you'll read this next paragraph.

The National Institute of Credit's course in Credits and Collections is enjoying one of its biggest enrollments. And there's the rub. If you want to keep ahead of the procession these days, you must keep moving. Constructive mental motion is what we mean. To keep moving in credit work, you must know the fundamentals as well as the latest developments. The N. I. C. has both these objectives in mind in its *new* course in Credits and Collections.

Enroll now. Send this coupon below TODAY. A minute's effort may mean a year's advancement.

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NATIONAL INSTITUTE OF CREDIT, Dept. 10, One Park Avenue, N. Y.
Please send me details of your NEW course in Credits and Collections.

NAME

ADDRESS

CITY STATE

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Our readers think



I wholly disapprove of what you say and will defend to the death your right to say it.—
Voltaire to Helvetius

Field men as collectors

Dear Sir:

The articles appearing in August Credit and Financial Management, written by Messrs. Leo. Sorenson and D. W. Strickland, Credit Managers, of Ziegler & Co., of Milwaukee, and Ingalls Iron Works, of Birmingham, were certainly interesting and should merit the whole-hearted approval and support of all interested in credit and collection work.

I certainly agree with these gentlemen in their conclusion that the "field men" have the best opportunity and are in a position to render the utmost aid in assisting with collections.

Periodically, we analyze our overdue accounts, which are aged in the following manner: current balances, 30 to 60 days, delinquent balances, 60 to 190 days, stale balances, 120 days and over; with regard to their geographical location in the salesmen's territories, and compute the percentage of such delinquencies as comparable to the amount outstanding.

These figures are furnished each salesman, together with a list of the outstanding accounts, and their respective amounts; and a running comparison maintained, which readily indicates the degree of improvement obtained.

In addition to furnishing the interested departmental heads with a very

comprehensive transcript of this requisite information, which serves as an added incentive to improve his standing in this particular field—for it is very readily realized that a sale is not completed until the transaction is completely liquidated.

Yours very truly,
D. Keiffer, Chief Clerk,
AIR REDUCTION SALES COMPANY.

Brickbat and bouquet

Dear Sir:

Having read the September Credit and Financial Management from "kivver to kivver," I am glad to note you have omitted most of the modernistic illustrations. Now if you would "can" the cover artist, it would be much better. But why do you use such stale jokes? The first two on page 47 "smell" and the other one appears on page 39. I got it the first time—not being English.

Yours very truly,
B. B. ARNETT, Charleston, W. Va.

Dear Sir:

I want to compliment you on the many very interesting articles in the September issue of Credit and Financial Management. There are more real Association matters in this issue than you have published in some time.

Hope that you will keep up the good work.

Yours very truly,
CHARLES G. COBB, New Orleans.

Proof of mailing

Dear Sir:

Referring to article in the September issue of "CREDIT AND FINANCIAL MANAGEMENT" under caption "Can you prove the letter was mailed?", would advise that due to the increase in postage for registered mail, with requirement for return receipt, to thirty-one cents (31c), the matter has had some consideration in our office. One suggestion has been offered that a Postmaster's receipt on blank (see illustration) might be a way

Post Office Department
Received from:

One piece of ordinary _____ class
mail addressed to—

AFFIX STAMP
AND
POSTMARK

THIS RECEIPT DOES NOT PROVIDE FOR INDENIFICATION
POSTAGE PAID BY ADDRESSEE POSTMASTER

out, and be quite a saving in our mailing costs. Am submitting this for what it is worth.

Yours very truly,
Fred C. Gustetter,
Sec., Phoenix Ins. Co., Hartford, Conn.

New York convenience
for

CREDIT MEN



A WARM WELCOME AWAITS YOU AT THE
HOTEL WINTHROP

Lexington Avenue at 47th Street

For your personal comfort: The Winthrop offers you super-size rooms, baths and closet space . . . extra large windows make each apartment airy and light. A highly trained hotel staff gives you perfect service. The Restaurant serves delicious food and fine liquors at very low prices. There is also a make-you-welcome spirit at The Winthrop that you'll like!

For your business comfort: The Winthrop is official headquarters for the National Association of Credit Men—convenient for after-office conferences: it is only five minutes from the main office at 1 Park Avenue—two minutes from Grand Central Terminal and not more than ten minutes from Times Square. This central location is a great time saver.

Rates: Single, \$3 up Double, \$4 up
Luncheon 50¢ up Restaurant Dinner 75¢ up
Club Breakfast 25¢ up

What's in a name?

Development of a model system of terms for designating qualities of commodities has been undertaken by the American Standards Association at the request of the N.R.A. Consumers Advisory Board.

The project is intended to eliminate misleading and confusing terms by defining exactly what each designation means. In a survey of the subject prepared by the Consumers' Advisory Board, it is shown that "fancy" apples are usually top grade; "fancy" brooms are second.

The designation "standard" applies alike to third grade canned fruit and fifth grade dried fruit. A "No. 1" mirror is not the best grade of mirror on the market; "AA" and "A" rank above it. "A-1," a term generally applying excellence is given to the lowest grade of silver ware. For many important commodities, such as gasoline, specific descriptions of qualities are not available to consumers.

A survey of terms used in designated qualities of goods by the Consumers Advisory Board has been mimeographed in a booklet of 59 pages and is available from the Department of Commerce. The Consumers Board's request to the American Standard Association is for a thorough-going and an immediate study project on nomenclature, with the aims described as follows:

"The study should have for its main objective the setting up of a simple model method, or methods, of designating qualities or grades of goods. It should be carried out co-operatively by organized groups of consumers, producers, distributors, advertising and marketing specialists, and governmental agencies. Standard (Cont. on page 39)

Business thermometer

(Cont. from p. 25) adjustment payments approximated \$15,867,259, the preliminary report shows. In one day, September 12, checks totaling over \$3,000,000 were mailed to more than 38,500 producers.

Up to September 14 a total of 820,641 contracts had been received and released for payment by the rental benefit audit section of the A. A. A. Of this total number, 129,516 were early payment contracts received from 514 counties, and 700,125 were of the regular payment type approved for payment in 1,619 counties.

Coinsurance applications

(Cont. from p. 21) policyholders. Owners wishing to under-insure are prevented from shifting part of their burdens to others who desire, or are required by bankers or creditors, to carry full protection. Rate discrimination is avoided."

Another authority adds:

"Coinsurance is safe and desirable if you meet the simple obligation imposed on you in exchange for a concession in rates."

The reduction in rate secured in con-

nection with the coinsurance clause furnishes an incentive to the policyholder to insure his property fully and to increase his insurance when there is an appreciation in property values.

Thus we see the importance of checking values from time to time to see if sufficient insurance is being carried to comply with the conditions of the coinsurance clause.

You may have noticed that Von Hindenburg's will cut off England, France and America without a penny.—
H. I. PHILLIPS, in *New York Sun*.

*Farflung
for your Protection*



DEPENDABLE
INSURANCE
SINCE
1863

AN insurance company with its risks spread over a broad territory enjoys a real advantage in its security against local disaster.

The pioneer founders of FIREMAN'S FUND INSURANCE COMPANY came to California from every corner of the nation giving it broad vision from its inception. Today, through 11,000 agents, the companies in its group do business in every community in the United States and Canada.

Ships and cargoes in every port—homes, factories and stores in every city—automobiles on every highway, are protected by this time-tested insurance.

Now, especially, you can't afford to gamble on your insurance. A setback from fire, accident, liability or theft might severely handicap you in the promising days ahead. Your protection is secure when backed by the STRENGTH, PERMANENCE and STABILITY of the companies of the FIREMAN'S FUND GROUP.

Agents Everywhere

Fire • Automobile • Marine • Casualty • Fidelity • Surety
FIREMAN'S FUND GROUP
Fireman's Fund Insurance Company — Occidental Insurance Company
Home Fire & Marine Insurance Company
Fireman's Fund Indemnity Company — Occidental Indemnity Company
HEAD OFFICE • SAN FRANCISCO
Offices in the Principal Cities of the United States and Canada



ALLIES against fire

INSURANCE and
CREDIT stand to-
gether to protect
and promote the
business interest.

FIRE PREVENTION

is a goal for the
common good of all.

Do your part!

NORTHERN Assurance Co. Ltd.

80 John St., New York
Insurance Exchange, Chicago
60 Sansome St., San Francisco



FIRE
INSURANCE
AND
ALLIED LINES

Ask anywhere in the World
what reputation the Northern of
London bears.

Profits in red

(Cont. fr. p. 13) received at headquarters from a central station, two companies instead of six to nine respond. Departments that wouldn't dream of using the "scout patrol" idea on a straight box alarm, have no hesitation about sending out a skeleton crew on a central station automatic call, because they know from long experience that the fire isn't going to amount to much with such an early and accurate summons.

Without this support, of course, our fire departments will continue to show us a profit in red ink. By drill and study and relentless fire prevention work they will move a little ahead of the fire loss here and there: with better equipment and more man power many will merely keep abreast of the damages. Considering the conditions they confront, they do a remarkable job, by and large, in keeping the loss at its present figure. But so long as these conditions prevail which breed conflagrations, it will remain necessary for us to continue spending \$700 in the fond hope that our outbreaks will show an "operating loss" of \$680.

Eight times out of every hundred, of course, we'll miss. The passerby will pass by too late or will fail to notice the tell-tale flicker of flame or wisp of smoke. Those are the ones that will inflate the loss records, the insurance premiums, the municipal taxes.

Which seems to indicate that it isn't what we send to the fire but *when we send it* that counts. And as long as we haven't the sense to remove the curse of Belated Discovery from the host of "quick burners" that infest our cities, we must consider it efficient to spend three times the fire loss for fire fighters.

"I am monarch of all I survey,
My right there is none to dispute."
But that was before the AAA
And plans of professors astute.
—A. F. H. in *The Cotton Oil Press*.

As troublesome as the outlaws are in America they don't cause any more suffering than the inlaws.—*Commerce & Finance*.

"How old are you, sonny?" asked the inquisitive old man of the little boy on the beach.

"Six," came the brisk reply.

"Six," echoed the old man, "and yet you are not as tall as my umbrella."

The boy drew himself up to his full height. "How old is your umbrella?" he asked.

Stop the fire

(Cont. from page 11) will not be able to gain headway before it can be gotten under control. If a building is properly constructed so as to resist fire and then properly maintained, fire in that building is put at a disadvantage from the start.

The Recommended Building Code of the National Board of Fire Underwriters provides for construction to resist fire, and most building codes, many of which are adapted from the Code of the National Board, have this object in mind. However, many buildings are in existence today for which no such codes were consulted during their construction and now these buildings require certain installations and changes to protect them against fire. Insurance agents and brokers, being familiar with such hazards, are always glad to consult with their clients in the interest of fire protection, for they, of all people, realize that *efficient fire protection is ideal fire prevention* and that nothing else does so much to *stop the fire before it starts*.

Foreign trade conference

Convinced that the prosperity of Chicago and the Middle West, as well as the entire nation, will be increased by exchanging the products of the great industrial plants and of the farmers of this country with foreign countries, leading industrial groups, having headquarters in Chicago and interested in foreign trade, have combined their efforts to stage a Foreign Trade Conference as an initial move in bringing to fulfillment such trade.

George Peek, special advisor to the President on foreign trade, and Dr. Claudius T. Murchison, Director of Bureau of Foreign and Domestic Commerce will participate in the Conference along with other nationally known authorities in Chicago on October 17 at the Hotel La Salle.

The Export Managers' Club of Chicago is sponsoring the Conference and the co-operating agencies, in addition to the Foreign Credit Division of the Chicago Association of Credit Men, are the United States Department of Commerce, the Chicago Association of Commerce, the Illinois Manufacturers' Association, the Illinois Chamber of Commerce, and the Foreign Credit Interchange Bureau of the National Association of Credit Men.

EN The future of wholesaling

(Cont. from page 31) about all of these.

My company was doing some worthwhile work in teaching better store keeping as far back as 1905. When I came with the company, some ten years ago, I inaugurated a systematic, periodical, coordinated store keeping service for distribution to merchants who showed a disposition to improve their store keeping. Later, when we organized the voluntary chains, we started furnishing as a regular part of our service to these selected merchants, a program covering all phases of store operating including a comprehensive engineering service for merchants wanting to start in business or improve their plants.

One of the reasons why I feel so certain that the jobber's place in American distribution is just as important as that of any other industry, is because even during the depression our engineering department has been working day and night to furnish plans and specifications for new stores.

Through the depression the only store equipment concern I know of which has increased its business each year, has been the one making fixtures for our voluntary chains almost exclusively. Just by way of example 36 stores were equipped in August, 47 in September, and 30 some odd will be in October.

We turn away more prospective merchants than we put into business. The day has long since passed when we will encourage or help a man open a store who is not qualified or who has insufficient capital, or who wants to open a store where one is not needed.

I believe we meet the modern need and that we give merchants window decorating plans and photographs, plans for interior displays, specific merchandise display helps, office systems and methods, and personnel training guidance equal in every way to that of any larger retail organization in the country.

Our experience has been over a long enough period now to enable us to see one outstanding fact; that those of the voluntary chain members who have fol-

lowed our program religiously (basic stock merchandising, suggested price lining, expert display suggestions, personnel training methods and accounting and control methods) have been almost universally the most successful.

EN Crooked penholders

(Cont. from p. 20) the bank. An appeal was then taken to the Supreme Court and the verdict in favor of the bank was affirmed.

The case was finally carried to the Court of Appeals of New York, where eight years after the loss was first discovered, the court decided that the bank had not been negligent, the loss having been caused by the negligence of the trustees. As to the amount for which the bank had been willing to admit liability, there could be no recovery because a depositor, receiving back his pass book and cancelled checks from the bank, is bound to examine them and report any errors without unreasonable delay, and this the trustees had also failed to do because, by their own negligence, they were not at that time aware of the forgeries. Thus eight years after

the forgeries were discovered, the depositor learned that he could recover nothing and was compelled to suffer the entire loss together with his costs in the long litigation required to establish the fact.

There are few forms of insurance where the cost is so relatively small and the protection so broad as in the case of forgery insurance. No commercial house should be without it. The insurance statement of the National Association of Credit Men provides for this form of insurance in question No. 3: "Are you protected by check alterations and forgery insurance?" My suggestion is that in checking the credit of your larger customers, where you are heavily interested, you satisfy yourself that they have adequate protection against this form of loss.

"What is the reputation of the defendant for veracity?" asked the lawyer. "Is he regarded as a man who tells the truth?"

"Well, I can't say as he don't never tell the truth," answered Hiram. "But I do know if he wanted his hogs to come to their feed he'd have to get somebody else to call 'em."

MONTHLY PAYMENTS

MANY businesses prefer to pay insurance premiums on the monthly payment plan as a budget convenience. Frequently this plan allows for adequate coverage which otherwise might have to be curtailed.

Through its brokers and agents the U. S. F. & G. offers the convenience of the Del Mar Finance Plan. The simplicity and economy of this plan will appeal to you.



"Consult your Agent or Broker as you would your Doctor or Lawyer"

U.S.F. & G.

UNITED STATES FIDELITY & GUARANTY COMPANY

Home Offices: BALTIMORE

"Beg your pardon, but what is your name, sir?" the hotel clerk asked.

"Name!" echoed the indignant guest, who had just signed the register, "don't you see my signature there?"

"Of course," answered the clerk. "That's what aroused my curiosity."—*Wall Street Journal*.

Notes About Credit Matters

Creditors must repay funds in composition upset

The U. S. District Circuit Court of Appeals, in an opinion written by Judge Chase, has affirmed an order made last November by Federal Judge Patterson directing creditors who accepted the composition of 27½ per cent of the Lilyknit Silk Underwear Co., Inc., of 102 Madison avenue, to return the moneys paid to them as property of the bankrupt estate.

The decision of the Appeals Court, said to be the first time any court of final jurisdiction has passed upon the question as to whether creditors who have received funds under a composition, which is later upset must return the funds so received to the estate. The matter has created wide interest in that the decision of the court will be regarded as a precedent for other cases of a similar nature.

The decision upholds the contentions advanced by Julius J. Abeson, of Hahn, Abeson & Golin, attorneys for the receiver and trustee of the Lilyknit estate, that the composition dividend should be returned. The Fulton County Silk Mills, Kramer Hosiery Co., Kingsboro Silk Mills, Inc., Bangor Hosiery Co., Inc., and Julius Kayser & Co., a group of creditors who opposed Mr. Abeson's contention, were represented by Eli M. Spark, of Weil, Gotschal & Manges.

The opinion of the Circuit Court says in part:

"After an involuntary petition in bankruptcy had been filed against Lilyknit Silk Underwear Co., Inc., the corporation, before adjudication, made an offer in composition that was accepted by a majority of its creditors in number and amount. A minority of the creditors

objected. A reference to a special master resulted in a report recommending confirmation of the composition offer which was duly confirmed by the District Court. That order was reversed in this court on appeal.

"The order of confirmation, made Sept. 9, 1932, directed payment to creditors within 10 days of composition dividends of 17½ per cent of their claims in cash, and two notes each of 5 per cent. This was done as ordered and most of the creditors accepted the dividends. The appellees, however, refused them and the appeal from the order of confirmation was taken Oct. 4, 1932. No effort was made by the objecting creditors to obtain a stay of the order directing the payment of the dividends in composition pending the appeal. These payments were made in part with funds advanced by a third party, but the remainder came from the bankrupt's estate.

"It is now claimed that because the creditors receiving the dividends, or at least a representative number of them, were not made parties to the former appeal the effect of the final decree therein is not binding upon them.

"This court held in *re Gottlieb*, 262 Fed. 730, that such creditors need not be made parties. In so far as that decision may be in conflict with *Field v. Wolf*, 120 Fed. 815, we are committed to our former position as appears from having already entertained the appeal in this matter without the joinder of such creditors as parties.

"Nor is the fact that objecting creditors failed to apply for a stay of the order providing for the payment of composition dividends pending the former appeal of moment now. They might have done so and, if they had, might have secured one. But no one knows whether they would have obtained one or not.

"While it would have been a wise course to do that, it was wholly unnecessary so far as their right to appeal was concerned. Moreover, the creditors who accepted the dividends were bound to know that those who objected had the right to and might appeal within the time allowed and they could not assume that such an appeal, if taken, would be fruitless.

"Besides that, the trustee in bankruptcy is the petitioner here. It acts for all the creditors. It is entitled to have its rights as trustee enforced and those rights cannot be affected by the failure of objecting creditors to try to have the

payments stayed.

"So the bald question of whether or not a trustee in bankruptcy may recover the assets of the bankrupt's estate which have been used to pay dividends under a composition order which has been reversed is squarely before us. So far as we have been able to discover there has hitherto been no decision on this precise point. No provision in the Bankruptcy Act and no General Order expressly covers it.

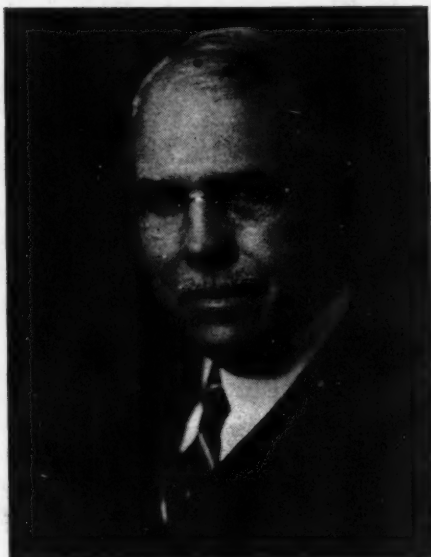
"It has been held that where a composition has been set aside under Sec. 13 of the Act, payments in composition already received by creditors need not be returned. This has been so held on the theory that as creditors have all been paid pro rata none are adversely affected but all may benefit in proportion by additional dividends even though no return of what has been received is required. In theory at least the amounts, if repaid, would be returned to the creditors who had them by virtue of the composition dividends already paid. But payments in composition are not received by creditors as a share of the bankrupt's estate to which the creditor is entitled. They are, on the contrary, the share of the creditors in the fund the bankrupt has provided in accordance with the provisions of the Act relating to compositions by means of which he may redeem the estate from creditor's claims.

"When the order confirming the composition was reversed by our former decision the right of the bankrupt so to redeem his estate became non-existent.

"Up to that time it had been, at best, a tentative right only. And the right of creditors to receive and retain any dividends which came from the bankrupt's estate itself had been just as tentative. It too became non-existent. It became the duty of the trustee to gather in all assets belonging to the estate that they might be administered in accordance with the Act. In so far as composition dividends may be traced to the bankrupt's estate as their source a proper regard for the due administration of the bankruptcy law requires their being put into the hands of the trustee for final disposal in accordance with the Act.

"That there is no express provision in the law covering the subject need not be fatal to the trustee's effort to bring this about. One of the basic principles which permeates the Act is the duty of the trustee to administer all of the bankrupt's estate, which is not exempt, in accordance with the bankruptcy law. In the exercise of a (Continued on page 37)

Credit careers



JOSEPH HUGH SCALES

Some wit facetiously remarked that if one suspects a man to be a native of Virginia, very little encouragement is necessary to develop that fact. The subject of this sketch was born in the highlands of Virginia (Pulaski County), and retains his fondness for his native state, although he is likewise a loyal subject of his adopted state.

Mr. Scales received his principal business training in the City of Roanoke, Virginia. In 1895, he secured a position with the Belknap Hardware and Manufacturing Company, of Louisville, to represent that firm as salesman in Virginia and West Virginia. It is said that during the entire period of his employment in this capacity, not a dollar was lost from bad debts by his company, in his territory.

With this remarkable and enviable record, when a vacancy occurred in the Credit Department, he was offered, and accepted the position in January, 1901, and continued with the Belknap Company for thirty years, advancing from Credit Manager to Senior Vice-President. During this period, he saw his company grow ten-fold, and it was his responsibility to expand the Credit Department, to meet the situation.

Mr. Scales' activity in Credit Association work began in real earnest when the National Association of Credit Men held its convention in Louisville, in 1902, at which time J. H. Tregoe was

elected President, and probably reached its zenith when he was chosen General Chairman of the "Silver Anniversary" Convention, held in Louisville twenty-five years later, in 1927, in appreciation of Mr. Tregoe's twenty-five years of service to the organization.

Subsequently, Mr. Scales served as National Director and Vice-President, representing the Central Division, but was unavailable for the Presidency of the National organization, for which he was in line. In earlier years, he served as National Membership Chairman, during the Presidency of Mr. F. M. Gettys, and was a National Director for two terms.

Locally, Mr. Scales has had every honor he would accept from credit fraternity of Louisville, serving several times as Association Director, twice as President of the Louisville Association, and is, at present, a Trustee of the Louisville Credit Men's Adjustment Bureau. It was during his administration as Louisville President, that the local Adjustment Bureau was organized, which has continued to function successfully. Also during his administration as President, the Louisville Interchange Bureau was organized, and has developed into one of the most efficient in the national system.

In December, 1930, Mr. Scales was offered a Vice-Presidency in the Citizens' Union National Bank, Louisville. Having served that financial institution as Director for several years, and with a predilection for the banking business, he accepted the position, although he retains his connection with the Belknap Hardware and Manufacturing Company, as a Director of that firm.

Although he is a busy executive, Mr. Scales is active in church and civic affairs of Louisville. Until recently, he was a member of the Civil Service Commission of the City of Louisville. He retains his interest in both the local and National Associations, availing himself of every possible opportunity to attend meetings, and fraternize with those identified with credit work. It is a high tribute to the organization, that its purposes and accomplishments are such, that it can attract outstanding executives of this type.

George C. Craft, fraud investigator, assigned to cover metropolitan area

George C. Craft, who represented the Fraud Prevention Department of the National Association of Credit Men in Northern New York and in Pennsylvania for a period of more than eight

years, has been assigned to continue his activities for the department in the metropolitan area.

Mr. Craft has wide experience in the investigation of commercial frauds, and in one of his recent cases in Philadelphia he, in cooperation with the Post Office Department Inspectors, was successful in securing convictions against seventeen individuals who had been charged with defrauding their creditors of vast sums of money.

Composition upset

(Cont. fr. page 36) duty imposed by the bankruptcy law, the trustee may invoke such general equitable principles as are applicable. Among them is the power to require restitution of what has been taken by the enforcement of a judgment subsequently reversed.

"We now make no attempt to go beyond the issues and indicate how the restored fund shall be distributed. Such portion of it as may have been advanced to the bankrupt by a third party to create in part the amount paid in composition dividends may be dealt with as the law requires when, if ever, that question arises."

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TRYING to work out a financial plan by yourself takes a lot of time, effort and worry—with no assurance of success.

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C. F. M. 10-34

CREDIT and FINANCIAL MANAGEMENT OCTOBER, 1934



Insurance digest

Inaugurated because of the credit fraternity's close contact with the insurance field and need of information about it.

Riot insurance vs. strike damage

Few people understand that their fire policies do not cover fire loss caused directly or indirectly by riot, and in view of the widespread disturbances arising out of labor disputes all over the country, it is essential that the need for riot, civil commotion and explosion insurance be stressed.

Fire policies in general exclude loss or damage caused directly or indirectly by riot or civil commotion, and the possible assumption of fire damage resulting from riot or civil commotion is a most important reason for carrying riot insurance. The fire policy, of course, also excludes loss or damage resulting from explosion except when fire ensues, and then only for the fire damage, says "Firemen's Fund Record."

During the recent labor disturbances in San Francisco, especially during the general strike, the companies were called upon to meet an unprecedented demand for riot insurance.

It is estimated that the total riot insurance premiums written in California this year will amount to more than one million dollars. Normally, the annual premiums for riot insurance are about \$90,000.

50% of wholesaling done in four states

Approximately one half (49.27 percent) of the \$30,512,271,000 volume of business reported by wholesale estab-

lishments is accounted for by four states, New York, Illinois, California, and Pennsylvania, it is shown by preliminary returns from the Census of American Business. The addition of another four States adds a third more of total business, so that the eight States with more than a billion dollars worth of wholesale business annually make up 67 percent of the total volume.

New York alone accounts for \$7,863,017,000, or 25.8 percent of the total in 1933. The other ranking States in the order of importance are: Illinois, California, Pennsylvania, Ohio, Massachusetts, Missouri, and Texas.

The same eight States did a slightly smaller proportion (65.88 percent) of the wholesale business in 1929, although the order of their importance has changed except for New York, Illinois, and Texas, which still retain first, second and eighth places, respectively. California moved up from fourth place to third, Ohio from sixth to fifth, and Massachusetts from seventh to sixth place.

In spite of the marked improvement shown during the last few months of 1933, the volume of business was 55.8 percent below that of 1929, salaries and wages were 45.3 percent lower, and the number of employees decreased 26.5 percent. Since payroll decreased much more than the number of employees, it would appear that the average earnings of employees engaged in wholesale trade in 1933 were about 25.6 percent less than in 1929.

The average annual sales per employee showed a reduction of about \$17,179 (from \$43,025 to \$25,846 per employee) partly, it is explained, because of the lower prices prevailing in 1933 which necessitated handling a larger physical volume per dollar of sales.

The Census of American Business, which includes Retail Trade, Wholesale Trade, and Service, Amusement, and Hotel Establishments, was conducted by the Bureau of the Census with funds supplied by the Civil Works Administration. Every city, county, and state has been covered since January, 1934, collecting data for the year 1933 which is being released as fast as tabulations are completed.

The reports for Wholesale Trade are being prepared by Dr. Theodore N. Beckman, in charge of the Wholesale Census, under the supervision of Fred A. Gosnell, Chief Statistician for the Census of American Business. Dr. Beckman was also in charge of the Wholesale Census for 1929.

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Tomorrow is Secure"*



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**An Old Line Stock Company
writing all forms
of Property Insurance**

When writing to advertisers please mention Credit & Financial Management

Constructive credit

(Cont. from page 8) that came as a big surprise.

I thoroughly agree with "Constructive Credit for Real Recovery," and also that *eternal vigilance in the Credit Department* is the requisite for constructive credit granting, good collections, and reasonable losses.

What's in a name?

(Cont. from page 33) methods to be set up should be applicable alike to consumers' goods purchased at retail, as well as in the wholesale market, and to industrial products generally.

"It should not mislead or conceal facts from the consumer by piling up superlatives, or by the use of concealed top-grades, or by similar devices, which the study clearly shows to be characteristic of most of the schemes now in use. It should be so simple as to be easily understood by the average housewife. It should be flexible and easily introduced step by step as systems of grading are set up in new fields, and as old grading rules are revised."

For copying things

What appears to be a portable photo-static apparatus is the Rectofot, a German invention which will be shortly introduced into the United States. The Rectofot is no larger than an ordinary attache case. It has no lenses or prisms but operates electrically on a minimum of current. The machine reproduces any letters, documents, diagrams, maps, etc. Colors and color combinations are reproduced in shades of gray or black according to the strength of the original. Since these copies are facsimiles in all respects except color they are admissible as evidence in cases where originals cannot be produced. The Rectofot reproduces on prepared paper from a roll which is placed in the machine in daylight. Paper on which copy is to be made is torn off on a straight edge provided by the machine. Printing, developing and fixing take about two minutes. The entire process is said to be so simple that anyone can master it in a few minutes. It is claimed that both the price and maintenance of the Rectofot are low enough to be within the range of any office. If so, such an apparatus should prove highly useful in many offices.

MR. CREDIT MAN

"What is the COINSURANCE CLAUSE?"

"The subject of insurance protection has a vital connection with the credit man's appraisal of a credit risk. . . . The factors of interest to the credit man are the maximum of liability, the protection offered, etc., etc., and the effect of the **COINSURANCE CLAUSE**."★

(Robert Young, Credit Representative, Carnegie Steel Company.)

From ★ "CREDIT & FINANCIAL MANAGEMENT":

"The best description of the Coinsurance Clause (sometimes called the reduced rate contribution clause, the average clause, etc.) that I have seen," says the credit executive of a manufacturing concern, "is the one compiled by The Pennsylvania Fire Insurance Company. I think many readers of 'Credit & Financial Management' would find it useful—as I have—in explaining the Coinsurance Clause to their customers."



Established 1825

The Pennsylvania Fire Insurance Company

Date _____

The Pennsylvania Fire Insurance Co.
(Publicity Department)
150 William St., New York City
Gentlemen:

Please send me, without obligation on my part, _____
copies of your folder, "The Coinsurance Clause Explained."

Name _____

Address _____

City _____

MEN WHO "KNOW IT ALL" are not invited to read this

THIS MESSAGE is not for the wise young man who is perfectly satisfied with himself and his business equipment.

It is for the man who feels that he ought to be earning several thousand dollars more a year, but simply lacks the confidence necessary to lay hold on one of the bigger places in business. He realizes that business has radically changed in the last few years, but he doesn't know all the new rules that have to be mastered.

We should like to put into the hands of every such man a copy of a little book that contains the seeds of self-confidence. It is called "What a Business Man Must Know Today," and it will be sent without obligation. It contains the announcement of the Institute's new Course and Service. This Course is an up-to-the-minute business aid; its contributors include such outstanding business leaders as Alfred P. Sloan, Jr., David Sarnoff, Colby M. Chester, Bruce Bartoa and many others equally prominent.

FOR THE MAN WHO WANTS TO BE INDEPENDENT 5 YEARS FROM TODAY

For the man who is perfectly content with himself and his job, the Alexander Hamilton Institute can do nothing. But there are thousands of men who could double their financial security if they believed in themselves and had the solid business knowledge to back up their belief.

The little book pictured below should be read by every man who expects to win a secure place for himself in the next five years. It explains some of the changes which are taking place in business today. It contains the condensed results of 25 years' experience in helping men to forge ahead financially. The coupon below will bring it to your desk. Send for your copy today.



To the Alexander Hamilton Institute, 785 Astor Place, New York, N. Y. Send me "What a Business Man Must Know Today," which I may keep without charge.

Name.....
Business Address.....
Business Position..... Age.....

Who's to pay the piper?

(Cont. from p. 7) danger in pyramiding. Historically, the sales tax has not always been successful. It ruined Spain in the Middle Ages, and later it played havoc with the prosperous country of The Netherlands. It is by no means new to this country, having been in force in our country during the Civil War. It is now successfully working in various states.

Theoretically, then, the proper method of taxation is one that is based upon man's ability to pay. That is why, in theory, the sales tax is unfair.

It is inequitable because it would reap its biggest revenue from the sales of necessities of life, all of which are sold under close margins and which, in volume of dollars and cents, amount to by far the larger percentage of sales.

It is inequitable because it favors the integrated business, a business which by reason of its tremendous facilities carries the raw product right through to the finished article, thus bringing about only one application of the sales tax as against several applications where this integration is not found. It is readily apparent that the single process competitor would be at a disadvantage as against such industries.

It is inequitable because on staple commodities, such as meat, for example, a sales tax of even 1% on the gross sales might equal a sum which normally would figure 30% of the total profits of the business. It is further inequitable because the poor man must spend practically all he gets for his living necessities and so pays tax practically on everything he buys, while the wealthy man, perhaps, does not spend more than 10% of all his income, on items which might be subject to the sales tax.

Foreign importations enter into the picture when national sales taxes are considered. Nevertheless, despite all of these objections, let me repeat that the

The town council of a small Irish town, municipally broke and sorely in need of a new jail house, met to discuss the situation. After a long drawn out meeting, many drinks and several friendly fights, the following resolution was adopted:

"We, the undersigned, council of the town of Donoley, hereby approve the building of a new jail house. The new jail shall be built from the material that comes from the old jail, and the old jail shall be used until the new one is done."—*Wall Street Journal*.

basis of our income in this nation through taxation might well rest, partially, upon a foundation to be constructed through the sales tax.

Supplementing the sales tax should be the income tax. This tax is, theoretically and practically, the fairest of all taxation measures. Ability to pay is the norm of taxation under income tax laws. It cannot be controverted that the ability to pay is the result of earnings partially attributable to the enjoyment of protection of Government. Those fortunate enough to realize earnings should be willing to contribute to support of the Government which makes these earnings possible. In addition to the income tax, a reasonable excess profits tax should be enacted.

Summarizing, therefore, we find that the basis of taxation which would in all probability be fair to all concerned, would be a taxation program which would have as its base a national sales tax, secondly, an income tax, and third, an excess profit tax. Coupled with this program, real estate taxation should be diminished because real estate in times past has been and, in the present day, is bearing more than its fair share.

I have not mentioned the inheritance taxes because these laws have not been as fully developed here as in other countries. They are supplementary forms of taxation which should be invoked, but care must be exercised so as not to have these taxes amount to confiscation. Confiscatory rates nullify the effectiveness of the legislation. Estates of large value become the exception rather than the rule when estate taxes are exorbitant.

Business must accept the fact that taxation rates are going to be higher. It is better from every point of view that business be prepared to meet higher rates and likewise prepare to make constructive suggestions as to equitable forms of taxation levies.

Taxation burdens will more and more receive the attention of credit executives, for unless a man, who seeks to have his credit accepted, has discharged his tax liabilities, his real position is an unknown factor. Not infrequently in times past estates in liquidation have yielded practically nothing to creditors because tax burdens constituting a prior lien have eaten up the estates.

Perhaps the greatest good that will issue out of a real study of taxation and a sensible taxation program is the realization of the tremendous expenditures of Government and the need for their reduction. If everyone in the nation were tax conscious, appropriations would not be so glibly voted and the burdens

of government would be more endurable.

After all, there is virtue in the honesty of paying for things as you go along or utilizing credit within reasonable limits. Most anyone can spend like a drunken sailor, and the crowd that watches the spending orgy may feel that it is little of their concern, but there comes a day of reckoning. The deferment of that day of reckoning simply stores up trouble.

What business interests of this nation need to do today is to go to Washington with sound taxation measures, with courage to meet the taxation costs to the point of balancing the budget for the year 1935-1936 and with an unselfish attitude hitherto lacking in their approach.

If such a movement were started, much of the uncertainty now existent would be removed. Heavy though taxation burdens be, they will become heavier. Anyone who believes otherwise is deluding himself and simply storing up future trouble. If it requires more courage to face the issue, it also develops more self-respect!

JOHN J. REGAN

John J. Regan, often referred to as the "Ace" of the investigative staff of the Fraud Prevention Department of the National Association of Credit Men, died at his residence at 3675 Broadway, after a short illness, on Sept. 6.

Mr. Regan was in the employ of the Association for about eight years and also served in the Government, both as a soldier in the Philippine Islands and China and also as investigator for the division of Investigation of the Department of Justice.

During his service as a Commercial Fraud Investigator, Mr. Regan gathered evidence that resulted in an unusual large number of convictions of individuals who were engaged in violating the National Bankruptcy Laws.

Mr. Regan will be missed by his many friends both in the Government and Association service as well as by a large number of attorneys and accountants who always alluded to Regan as a man who never failed to make a complete investigation of every task assigned to him.

Special discounts are ruled illegal

The campaign of the Code Authority of the knitted outerwear industry to eliminate discounts to resident buying organizations by manufacturers met

with success in Washington when an interpretation was handed down by Acting Division Administrator Prentiss L. Coonley prohibiting the granting of discounts above those provided for in Article 10, Section E of the code, it was stated yesterday by Harold R. Lhowe, executive director of the Code Authority.

Article 10, Section E, reads in part: "No member of the industry shall sell or offer to sell knitted outerwear products to the retail trade upon terms other than a maximum discount of 8 per cent for payment on the 10th day of the month following that of shipment."

The interpretation rules "that any

discount above that allowed in Article 10, Section E, of the code, when based upon volume purchase, is prohibited by the code if the agreement to pay such discount is made as one of the conditions of the sale."

In presenting his claims to the NRA, Mr. Lhowe stated that the rebates were unwarranted on the ground that no benefits accrued to the manufacturer "inasmuch as the discounts were founded not on large individual orders permitting manufacturing economies, but rather on small commitments made at irregular intervals during the season, with the manufacturer unable to predict totals in advance."

Where's that SIREN Going?

When you hear a fire truck's siren screaming, its bell clanging up the street, do you wonder where that siren's going? Do you ever think, "Perhaps he owes us money. Let's hope he's well insured!"

"Well insured" means much more than just having a couple of policies. Have the companies reputations for fair dealing? **Do you even know what companies cover these risks that are your risks?** Do the policies cover concurrently? Are their conditions complied with? Do they give **complete** coverage—against riot, windstorm, sprinkler leakage, earthquake, as well as fire?—and do they cover income and profits as well as capital investment?

Before a siren screams again you'd better check these things. Call in your agent or broker for a consultation. To play safe (and what good, indeed, is insurance if it isn't safe?) specify

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Write for the names of our agents in any community.



In the modern office

An idea and experience exchange on equipment, system and management in the modern credit and business office.

Visible index atlas

All who have occasion to frequently consult maps will find the new visible atlas, introduced by the Acme Cary System Company of Chicago, convenient and time saving. Each page in the book is really an individual card, hung on its own hanger. When open, the pages overlap so that one may turn instantly from one map to another without leafing over pages. When open, every map is entirely flat. No cities can hide in the crevice of a binding. Facing each map is an index of towns and other information about the State. There is a map of each State, the entire United States and other countries. Maps are printed on index bristol and are $7\frac{1}{4} \times 10$ in size. Rivers, railroads and cities are in black. County lines, lakes, etc., are in blue. The maps are bound in a standard Acme visible card book. Maps are removable and can be easily replaced. Signals may be used on the visible edges of cards. The atlas is called "America At Your Finger Tips" and is a clever adaptation of the visible idea.

This and that

Pronto collapsible semi-steel storage files now have a finish that matches grained mahogany, as well as usual olive green. . . . Addressograph-Multigraph announces new line equipment specifically designed to meet demand for industrial form writing or factory record keeping. . . . New desk calendar called "Week-At-A-Glance." Book form. Week's notes in sight and kept for future reference. Address and telephone index with a capacity of 1,560 names,

addresses and telephone numbers. . . . We don't know that many people, but the calendar part is handy. . . . Wabash Desk Company has a new modernistic desk of all-cherry face veneer and cherry burl top. Very attractive, particularly for reception clerk. . . . Many modernistic desks fill us with such awe that we cannot work on them. In fact, we have a secret preference for a large, plain pine table. . . . We definitely dislike glass as a writing surface. Too slippery. . . . Linoleum, cork and composition surfaces are generally good. . . . Cannot stand desk drawers that stick, either. . . . Once figured out amount of energy wasted each day tugging at recalcitrant desk drawer. Found that, in a year, we used enough force to lift Washington Monument (or something) three inches (or something). . . . Took the rest of the day off. . . . Worn out. . . . With all the various reform movements, we would like to see more determined drive for better lighting. Inadequate illumination is as widespread as hay fever. . . . Needless and wasteful. Can be corrected at small expense and does not materially increase lighting bills. . . . We would certainly support any "Brighten Up The Corner" movement.

—H. P. Preston.

Cost protection

(Cont. from page 16) hypothetical cost.

4. How shall depreciation be determined? This is another serious stumbling block. Some plants involve a high investment, while others have been purchased at very low figures. In many cases depreciable properties have been entirely written off on the books, yet the properties are in existence and in use. In other words, it must be determined—and uniformly so—whether cost, replacement value, fair market value, use value, etc., etc., shall be the basis for depreciation computation. Here again, it must be kept in mind that the code limits the protection to "cost" and not to what the cost should or might be.

5. In determining cost of raw materials, shall invoice cost or replacement cost be used? If the latter, shall it be replacement cost at the time of taking the order, at the time of manufacture, at the time of shipping, or when?

6. In figuring inventory for cost purposes, shall first cost, last cost, or average cost be the criterion?

7. What is direct cost and what is overhead? At present certain items of

cost are treated as direct material by some manufacturers and as burden by others. The same items are treated as direct labor by one and as indirect labor by others. As between the different types of overhead, some treat an item as factory burden while others consider it as selling expense.

This by no means exhausts the items to be considered. They are merely samples of the type of questions that will need solution. It can't be left to "best accounting practice," because accountants differ among themselves as to the answer. Rules, even if they are arbitrary ones, will have to be adopted and applied. Otherwise confusion will automatically set in, and the cost results procured be rendered meaningless, if not harmful.

Perhaps, however, we've gotten a bit ahead of ourselves. We're still a considerable distance removed from the actual application of uniformity in accounting treatment. There is important preliminary groundwork to be covered. Manufacturers must be made "cost conscious." Before any direct steps are taken to enforce rules of accounting procedure, it will be necessary to educate manufacturers to the whys and wherefores. This in itself requires a carefully laid out program. It might best be done by a series of bulletins issued by the Code Authority, the first of which will treat on the importance of accounting and cost determination. The bulletin could stress the requirement of adequate cost data from the standpoint, not only of its obvious necessity if cost protection is to mean anything, but also as a control over the business and as a basis for comparison of costs between manufacturers.

When this part of the program has fully and successfully been carried out, the field will be ripe for further sowing. This means the broad general methods and principles of determination of costs can then be developed and a standardized practice of cost finding prescribed. From this point it is a stone's throw to the adoption of a simple uniform classification of accounts for the industry, designed with the small operator immediately in view, but with a basic structure, applicable in expansion to the larger plants. The stage would now be set for the final step, the promulgation of a non-technical manual, kept current from time to time, explaining the classification of accounts and the accounting principles involved.

This is an ambitious program. It is as gigantic as it is constructive. It will necessarily be some time, even under the

best conditions, before it can be fully carried out. The emergency situation, however, requires some interim action, so that a peg might be fixed below which prices shall not slide. To that end the following is suggested:

1. A list of the most competitive items and their specifications be compiled for each division of the industry.

2. An immediate study be made of the cost of these selected items in one or more plants in each division of the industry, the plants chosen to be those that, as far as can be predetermined, will show the lowest cost of production and distribution.

3. The costs ascertained from such a study be distributed to manufacturers in the industry so that they may be advised of the figures that have been determined upon as representing the lowest cost of production of the items involved. It, of course, goes without saying that the identity of the producers is not to be disclosed.

4. If thereafter, a manufacturer seeks to sell products of the same or equivalent design, quality, character, or specifications at less than the costs resulting from such study, the Code Authority is to be so notified.

5. Thereupon, an examination be made of the costs of the manufacturer claiming the ability to sell at lower prices, and if his costs prove to be lower than the established ones, then they are to be substituted for the previously established costs.

6. In order to prevent chiselling of the established minimum cost prices, provision be made whereby items not specifically listed in the cost protection schedule must not be sold at a price that, in effect, gives a rebate or discount off the listed items. Recognized market spreads, if any, would have to be maintained. The whole subject would be one that the Authority would be empowered to control and supervise.

This program would all, of course, have to be subject to the approval of the National Recovery Administration. It is believed, however, that the Administration would be found understanding and cooperative.

That would tide over the immediate situation. It is the long pull aspect that is by far the more important. Industry has a splendid opportunity, through the code, to permanently get its house in order from the standpoint of *knowing* cost. That will do more for industry in automatically righting some of the ruthless price tactics than anything else—code or no code.

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Answers to credit questions



Conducted by E. B. Moran

The National Association of Credit Men supplies answers to credit questions and some of the answers, of general interest, are printed regularly in *Credit and Financial Management*. Advice cannot be given, however, regarding legal rights and liabilities. Such advice should be obtained from an attorney to whom all the facts should be stated. When such inquiries are received, information is furnished only as to the general principle of law involved.

Illinois corporation tax

Q. We understand that the section of the Illinois Corporation Act, as it relates to foreign corporations doing business in that State, has been declared unconstitutional. Is it possible to obtain a reimbursement of any tax collected by the State of Illinois under that section?

A. The Illinois Corporation Act, having been declared unconstitutional so far as it relates to foreign corporations doing business in the State of Illinois, any tax collected pursuant to the sections of the act which have been declared void, would of course be recoverable upon proper application.

It is our recommendation that you have your Illinois Franchise Tax reports examined by an Illinois attorney who is familiar with this subject, and by him have an application made for refund of any tax illegally collected.

Corporate reorganization

Q. Would there be any difficulty encountered or obstacles to prevent the filing of a bankruptcy petition under the Corporate Reorganization Act, if the company in question at the present has been operated by a receiver appointed under the State courts, notwithstanding the fact that the assets and the company's affairs have been under the control of the State court for over a year?

A. The Corporate Reorganization Act permits any corporation which is either insolvent or unable to pay its debts as they mature to file a petition for reorganization. The Act further provides that if a receiver or trustee has been appointed by any federal, state or territorial court, a petition for reorganization may, nevertheless, be filed "at any time thereafter" by the corporation or its creditors and that if such petition is approved, the trustee appointed under Sec. 77-B, or the debtor, if no trustee has been appointed, shall be entitled forthwith to possession of and vested with title to the property held by the equity receiver, subject, however, to the payment of the obligations incurred by the equity receiver and the payment of reasonable administrative expenses and allowances in the prior proceeding, the same to be fixed by the court which appointed the prior receiver.

While the Act would seem to be clear on its face, the question has been raised as to whether the bankruptcy court has jurisdiction

to take away from a state court receiver, property of the corporation where title passed to the state court receiver more than four months before the filing of the petition for reorganization. So far as we have been able to determine, this question has not been decided. It is one of the many points in connection with proceedings under Section 77-B which will require clarification by the courts.

North Dakota moratorium

Q. What is the effect of the current North Dakota Moratorium on creditors, and what rights has the creditor under the same?

A. The following is a copy of the moratorium.

"Now therefore, I, Ole H. Olson, as acting governor, pursuant to the authority vested in me by law, do hereby proclaim and declare that until this proclamation is by me revoked, no person or state, county or township officer nor person appointed by any court shall by the use of any force, stealth or process of law, seize, levy upon or sell any real or personal property of any citizen residing in this state, or evict any person from his home or place of dwelling or business for inability of the debtor to pay, nor foreclose any mortgage upon real or personal property, nor deprive any citizen of North Dakota or any property or title to property by tax sale, distress, levy or issuance of any tax or Sheriff's deed;

"Provided, however, that this proclamation shall not apply to any obligation due to or security held by the federal government or any of its agencies, it having been demonstrated that such may be safely left to the policy of our national government.

"Provided, further that any creditor, feeling himself aggrieved by the terms of this proclamation, may apply to the judge of the district court having jurisdiction of the person and subject matter involved, and after serving such reasonable notice in manner and form as may be required by such judge upon the debtor and after an informal hearing without cost and a finding by such judge that the debtor has reasonable ability to pay, or that it would be the best interest of the debtor, creditor and the State of North Dakota to permit any such claim or remedy to be enforced and setting out the reasons why this moratorium might be lifted, and after such findings have been reviewed by the acting governor, further proceedings may be had as might be authorized by special order of the acting governor.

"Given under my hand and the great seal of the state of North Dakota in the city of Bismarck, county of Burleigh, North Dakota, at my office in the state capitol this 25th day of July, A. D. 1934.

By the Acting Governor,
OLE H. OLSON.

It's effect and creditors rights under it are as follows:

Under this proclamation as it now exists, no conditional sales contract may be enforced and it applies to such contracts made after the date of the proclamation as well as to those made prior to it. Under its terms you may not repossess any property which you have sold to a resident of this State. This proclamation is to remain in force until revoked by the Governor. If the Governor has the authority under our laws to issue such proclamation and the same can be enforced legally, we can see no

way that you may force collection of a claim against a resident of this State, unless as provided in the proclamation you apply to the District Court of the county of the residence of the debtor for permission to repossess the property sold or enforce your claim. The court shall give notice of hearing on that application to the debtor and if the court finds that the debt should be enforced against the debtor at this time, the findings of the court may be submitted to Acting Governor who may then order that the proclamation be suspended as against that debt. It leaves it entirely to the Acting Governor who may then order that the proclamation be suspended as against that debt. It leaves it entirely to the Acting Governor to decide whether or not the debt may be enforced.

Material men's rights

Q. We understand in connection with high schools built in the State of Delaware that the contractor cannot get settlement from the Delaware School Funds until he shows all his material bills marked paid. Also, we understand that a material manufacturer can have what is owed to him held up by the School Foundation if he wishes to make such an arrangement. Have you any information to this effect?

A. The Delaware statute on the subject of contractors provides that it is the practice of the School Foundation, before making payments to contractors, to require a statement of the contractor showing the expenditure of the money at each time that a payment of the contract is made. Such statement is customarily given, together with a statement that there are no other bills outstanding, although, of course, the Foundation authorities do not audit the books of the contractor to verify this account. They state that they do in any case attempt to protect laborers and materialmen, and would not pay the final fifteen per cent (15%) which is withheld if any claim is made to them based on any unpaid labor or materials. They, of course, do all these things voluntarily and assume no liability with respect to them. We are advised, however, that on April 25th, 1933, there was enacted in Delaware a statute prohibiting contractors, subcontractors, etc., from paying out, using or appropriating money and funds received from the construction or repair of buildings before first paying in full or pro rata, all claims of labor and materialmen.



Insurance of bank deposits has made possible for the first time a complete statistical picture of the commercial banks of the United States. Based on reports of condition as of June 30, the Federal Deposit Insurance Corporation shows that the total assets of the 13,867 insured banks and trust companies were \$43,373,126,000. Only 1,164 commercial banks are uninsured. Their total deposits were \$550,964,000, but 12 uninsured banks had \$216,631,000 of that total of deposits. A highly significant figure is that the insured banks carried \$10,295,709,000 in U. S. government securities, over 60% of all their investments. Total deposits of \$35,766,394,000 are \$10 billions less than in 1929, but are nearly \$3 billions higher than in June, 1933.

—"Business Week"

Export trade round-table

The first meeting for the 1934-35 season in the series of monthly round-table conferences on foreign exchange and collection problems, sponsored by the Foreign Credit Interchange Bureau of the National Association of Credit Men, was held on Wednesday, October 3rd, in New York. Mr. P. M. Haight, Vice-President of the N.A.C.M. and Secretary-Treasurer of the International General Electric Company, acted as Chairman.

Minutes of the meeting were taken and are available to those interested in the discussion at \$1.00 per copy. Any of our readers who are interested in submitting questions which can be discussed by these New York meetings can send the questions to Mr. Kenneth H. Campbell of the Foreign Credit Interchange Bureau at One Park Avenue, New York. These questions must, of course, deal with some current phase of collection, credit, or exchange problems.

Education's course

(Continued from page 23)

Principles of Economics is a basic course which has a popular as well as a technical interest to everyone whether in business or otherwise and applicable to everyday life.

Business English is a subject of never ending interest and the possibilities of improvement in dictation and correspondence are so obvious that it hardly seems necessary to point out its importance—but how many credit men and women are really masters of the art of saying the right thing in the best possible way or making an inquiry or a collection with the least possible friction.

Business Law is one of those subjects which to be of any value must be kept up to date and with the multiplicity of changes in statutes and the decisions of Courts which must not be lost sight of, it is imperative that the credit worker should be reasonably familiar with its principles and recent changes in order to avoid losses and possible litigation.

Public Speaking, its importance and advantages were well described in the September issue of *CREDIT AND FINANCIAL MANAGEMENT* in the article by R. W. Miller, Attorney for the Kansas City Adjustment Bureau, and public speaking classes ought to be organized in every Association throughout the country to give the credit man

confidence to tell his story to other executives and take the place he deserves in his business field.

Also included among the subjects offered for this year are *INVESTING IN STOCKS AND BONDS*—obviously important from a financial management standpoint—and the subject of *SALESMANSHIP*. In the Fall of 1935 a course in *MERCHANDISING* will be added.

This may all sound like a mere cataloging of subjects, but we believe that it includes the fundamentals in which the average credit man or woman is

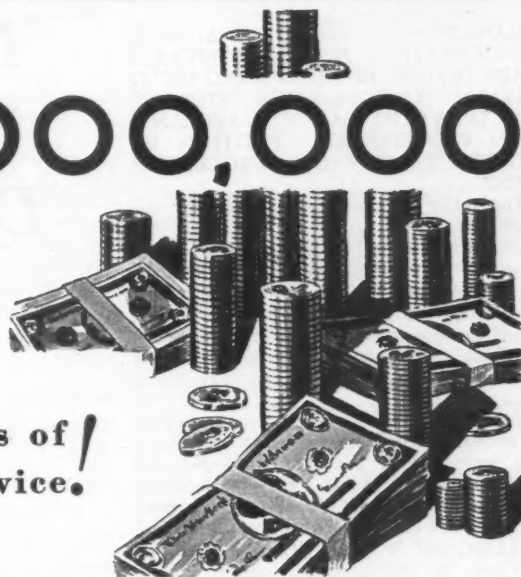
vitaly interested and which they must encounter day by day, week by week throughout the year. But it fits into the Institute program in such a way that each complements the other in building up a course full of personal interest, plus credit education. Those who can and will accept these educational opportunities as offered through Association activities, the National Institute, and its affiliated educational institutions will prove that Lincoln was right when he said:

"I will study and prepare myself
And some day my chance will come."

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Court decisions



BANKRUPTCY. CONDITIONAL SALE. REFRIGERATING PLANT. CONTRACT MADE BEFORE, BUT NOT FILED UNTIL WITHIN, FOUR MONTHS PRIOR TO ADJUDICATION. VALIDITY. RECLAMATION PROCEEDINGS. PETITION BY ATTORNEY IN FACT. PROCEDURE. (PENNA.)

The order of the referee is before this court for review on the certificate of the referee. Instead of certifying the question presented, as required by General Order 27 (11 USCA, section 53), the referee recommends that the petition for review be dismissed because it is "more a law brief than a petition" and because it is not filed by a party in interest but by an attorney representing the claimant.

Held that the petition for review contains the necessary requisites in that it includes a brief statement of the referee's order, the errors complained of and a prayer for review of the order. In the instant case the petition is "of the Carrier Engineering Company," a creditor, and is signed "Carrier Engineering Corp., by their attorney, John P. Feeley, and contains an affidavit by the attorney in behalf of the Carrier Engineering Corp., who deposes that he 'is authorized by the petitioner to make the petition in their behalf. It thus appears that he was an attorney in fact acting for his principal. 'While an attorney at law as such cannot file a petition to review, an attorney in fact acting for his principal, the creditor, may do so under section 1 (11 U. S. C. A. 1) and General Order 27 (11 U. S. C. A., 53).'" It appears that on May 12, 1930, William Lloyd, trading as Lloyd Fruit Farms, purchased a refrigerating plant on conditional sale, from the B-K Engineering Company, the assignor of petitioner herein, and the conditional sale contract was recorded on January 12, 1933, at which time the conditional vendee was insolvent. On March 28, 1933, an involuntary petition in bankruptcy was filed against the conditional vendees and they were duly adjudged bankrupts on September 29, 1933, and a trustee was elected who took possession of the refrigerating plant. A reclamation petition was filed by the assignee of the conditional vendor but the referee held that the conditional vendor was not entitled to the refrigerating plant. The issue is solely between the assignee of the conditional vendor and the trustee in bankruptcy of the conditional vendees and the question is whether the assignee of the vendor can prevail notwithstanding the fact that the conditional sale contract made on May 12, 1930, was not recorded until a time when the conditional vendees were insolvent, to wit: January 12, 1933, several months before a petition in bankruptcy was filed against them. In the present case the only testimony relating

to annexation of the refrigeration plant to the realty is contained in the answer of the bankrupt to the following question: "(Q) Could the machinery be removed from the property without any injury to any part of the building? (A) It could be unbolted off the foundation. This would be expensive." The court must accordingly hold that the machinery in question is governed by section 5 of the Conditional Sales Act (69 P. S. Sec. 402). Under the Federal Bankruptcy Act, a trustee in bankruptcy has the status of judgment creditor from the date of the filing of the petition in bankruptcy and a contract of conditional sale, although made before, but not filed until within four months prior to the bankruptcy of the purchaser, does not constitute a preference and accordingly the

conditional sale is valid as against the trustee. Since the conditional sale contract was recorded prior to the filing of the petition in bankruptcy, and it appears that no person acquired a lien by attachment or levy before the contract was recorded, the conditional sale contract is valid as against the trustee. *Matter of Lloyd et al.* U. S. Dist. Ct., Middle Dist. of Penna.

BILLS AND NOTES

A corporation which, through fraud, was induced to execute a check payable to a non-existent concern, held under the Uniform Negotiable Instruments Act, not liable thereon to one claiming as holder in due course, since payee, in view of the corporation's belief in payee's existence, was not "fictitious

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and its affiliated companies write practically every form of insurance except life

person" within the statute making the instrument payable to bearer. The instrument cannot be treated as payable to bearer on the ground that payee is a "fictitious person" unless the maker knows the payee to be fictitious and actually intends to make the paper payable to a fictitious person. The alleged negligence of the maker in issuing checks to the order of a non-existent concern, and in failing to detect forged indorsements on other checks indorsed in the name of a non-existent payee, held not to estop the maker to assert the defense of want of indorsement, where it had no knowledge that payee was fictitious. One induced by fraud to make checks payable to a non-existent person is under no duty to determine whether the indorsement on earlier checks made in favor of the payee, were genuine. *Jacoby v. Kline Bros. Co., Inc.* 272 N. Y. S. 871.

CONSTITUTIONAL LAW

Congress has power prohibited to states to impair contracts by exercise of its lawful power. A bond is none the less a "contract to pay money," because it designates gold coin rather than other kinds of money as a medium of payment. The question of economic significance of the money power of Congress is political, and not for determination by courts. Congress can establish uniform national currency and endow such currency with character and the qualities of money by requiring its acceptance at face value as legal tender in discharge of all debts, and can regulate the value of such money. A person attacking an act of Congress must show clearly violation of the provisions of the Constitution. A State Court should, whenever possible, uphold the acts of Congress affecting arrangements for payment of money in the future. A resolution providing for the discharge of all obligations by payment in coin or currency constituting legal tender, irrespective of provisions in obligations for payment in gold coin, held within the power of Congress. *Norman vs. Baltimore & O. R. Co.* 265 N. Y. 37, 191 N. E. 726.

Where a negotiable promissory note was endorsed for accommodation and was not negotiated, but was held by the payee and dishonored by non payment at maturity, and notice of dishonor duly given to the accommodation endorser, and thereafter the payee holder took a new negotiable promissory note from the maker without the knowledge or consent of the accommodation endorser, and without expressly reserving its right of recourse against such endorser, and it was claimed by the payee that the old note which was not surrendered when the new note was taken, was held by the payee as collateral security for the new note, it was

Held under the Uniform Negotiable Instruments Law that the maker's time to pay the original debt had been extended, and the holder's right to enforce the old note postponed without expressly reserving the latter's right of recourse against the endorser, and without the assent of the endorser, and that the endorser was thereby discharged from her liability as endorser of the old note. In *Re Paskett's Estate*, 273 N. Y. S. 84.

Section 74 of the Bankruptcy Act, providing that any person who is insolvent or unable to meet his debts as they mature, may avail himself of the statute with respect to a composition of his debts, or an extension of time in which to pay them, is within the power given to Congress to establish uniform laws on the subject of bankruptcies and not violative of the Tenth Amendment.

Section 74-e of the Bankruptcy Act, as added in 1933, which gives the court, upon application of a debtor, the right to approve and enforce an extension of time in which to pay debts, or a composition of debts, pro-

vided a consent is obtained from a majority in number and amount of debts, is not unconstitutional as an improper delegation of legislative and judicial authority in contravention of article 1, section 1, and article 3, section 1 of the United States Constitution.

Section 74 of the Bankruptcy Act, as added in 1933, providing for debt extensions or composition of debts, does not violate the due process clause of the Constitution by depriving secured creditors of the opportunity of proceeding against persons secondarily liable upon debts. In *the Matter of Fred E. Landquist et al., debtors. In the Matter of Eunice C. Parmenter, Bankrupt.* 70 F. (2d) 929. U. S. Circuit Court of Appeals, 7th Cir.

Creditors may be allowed priority claims for reasonable expenses in successful opposition to confirmation of composition order, regardless of the question of financial advantage to the estate, although such consideration might enter into the exercise of the "discretion of the court" in making the allowance as provided for by section 64-b(4) of the Bankruptcy Act.

Section 64-b(4) of the Bankruptcy Act does not give to an attorney a right of priority for fees in successfully opposing an offer of composition.

A claim of a creditor for the allowance of priority for "counsel fees" as such for successful opposition to an offer of composition, is properly rejected as not within the wording of section 64-b(4) of the Bankruptcy Act which allows priority for "reasonable expenses." In *re Fashion Shop, Inc., Bankrupt.* 6. F. Supp. 533. U. S. D. C. Eastern District of Pennsylvania.

Reprint

"The Commercial Review," published by the International Association for Promotion and Protection of Trade, Ltd., in London, complimented Credit and Financial Management in its September issue by including part of our recent symposium, which stretched over several months in our publication, concerned with sales and collection team work. "The Commercial Review" used the contribution of Mr. Leo Sorensen, Credit Manager of the George Ziegler Company, Milwaukee, Wisconsin.

In reprinting it, the English magazine said that "this article is republished from Credit and Financial Management as it deals with the side of the credit problem which deserves every consideration."

We are glad to acknowledge the compliment at this time and also again give credit to Mr. Sorensen for his contribution.

Jobyna—"Would you marry a woman who is a great talker, or the other kind, Ezry?"

Ezry—"What other kind is they?"

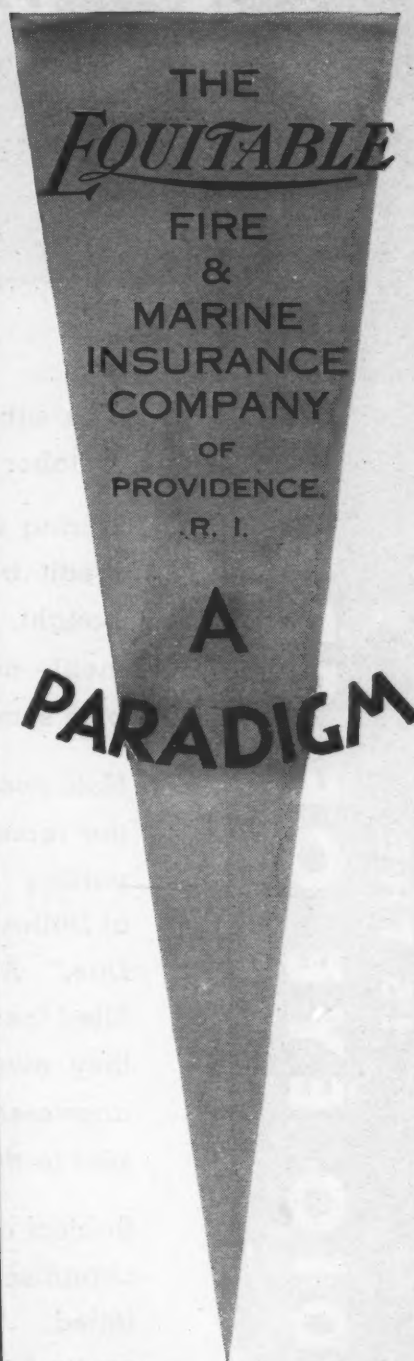
"Mamma, what becomes of a car when it gets too old to run?"

"Somebody sells it to your father!"

If anybody is getting out an edition of Who's Who in Germany at this time, it should be issued in loose-leaf form.

CREDIT and FINANCIAL MANAGEMENT OCTOBER, 1934

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The subject of this report was petitioned into bankruptcy on October 8, 1933—4 months after the report was written.

During that four months, the subject secured merchandise on credit from 11 concerns from whom he had not previously bought. How did he do it? Easy! He had a financial statement—not false, but his idea of the value of his own business—plus some pet references.

Note two of these references on the report. One at Omaha reporting "Discounting"; the other at Dallas reporting "Pays When Due." And these references fulfilled the obligation it is claimed they owed their customer and answered the direct inquiries sent to them.

Subject owed \$12,600.00 to merchandise creditors when he failed. Why didn't a greater amount of indebtedness show on the report? Because Credit Interchange users get out and stay out of this class of accounts.

Note date of report.

CREDIT INTERCHANGE BUREAU NATIONAL ASSOCIATION OF CREDIT MEN											
Form No. 1											
The purpose of this report is to give a summary of the financial condition of the subject as of the date of the report. It is not intended to give a complete picture of the subject's financial condition. It is intended to give a summary of the subject's financial condition as of the date of the report.											
REPORT ON											
JUNE 2, 1933											
NAME	TYPE	DATE	AMOUNT	DATE	DATE	DATE	DATE	DATE	DATE	DATE	DATE
CHICAGO	Trs	3-23	500	56	34	81					
CHICAGO	Trs	9-21	70								
KANSAS CITY	Trs	1-30	90				30				
PITTSBURGH	Trs	4-22	2809	217	152						
OMAHA	Trs	5-23	100	90	30		8-10-30				
OMAHA	Trs	11-20	35				1-10-30				
OMAHA	Trs	11-20	140	180							
WILLIAMSBURG	Trs	10-22	68				8-10-30				
WILLIAMSBURG	Trs	1-21	70				8-10-30				
DALLAS	Trs		126	135			30				
DALLAS	Trs		295	150	130		30				
DALLAS	Trs		70				30				
DALLAS	Trs		212	61	61		30				
DALLAS	Trs		275	100	30		30				
COMPILED 1-24											

8 concerns who received orders from this subject after June 2, 1933, called for a Credit Interchange Report, looked at the paying record—and refused to ship.

CREDIT INTERCHANGE BUREAUS NATIONAL ASSOCIATION OF CREDIT MEN